

Federal Credit Data (MAX Schedules G, H, U, and Y)

Summary of Changes

- The background section has been rewritten and additional information has been provided (section 33.3).
- The definitions have been reorganized into alphabetical order and a definition of work-outs has been added (section 33.4).
- The definition of modification clarifies that modifications include actions resulting from the exercise of agency administrative discretion if that action alters the estimated cost (section 33.4(n)).
- The accounting for negative subsidies has been changed, in most cases, from special fund receipt accounts to general fund receipt accounts (section 33.4(p) and (q), 33.5(a) and (g), and 33.10(e)(1)).
- The requirement to collect credit baseline data on agency debt held by the FFB has been eliminated (section 33.8(a)).
- The accounting for pre-1992 loan modifications has been simplified by eliminating the indirect modification method and providing a simplified option for large volume modifications (section 33.4(n), 33.10(d), and 33.11(c)).
- Credit agencies with over \$100 million in loan assets are expected to sell assets more than one year delinquent (section 33.12).

33.1. Coverage.

These instructions apply to all programs that provide direct loans or loan guarantees to non-Federal entities. Section 506 of the Federal Credit Reform Act (FCRA) exempts certain programs from credit reform budgeting. These programs are still required to report other credit data in MAX schedules G, H, and Y (see sections 33.6, 33.7, and 33.8).

33.2. Requirement for appropriations.

Section 504(b) of the FCRA provides that new direct loan obligations and new loan guarantee commitments may be made only to the extent that:

- new budget authority to cover their costs is provided in advance in an appropriations act;
- a limitation on the use of funds otherwise available for the cost of a direct loan or loan guarantee program has been provided in advance in an appropriations act; or
- authority is otherwise provided in an appropriations act.

These requirements also apply to modifications of direct loans (or direct loan obligations) or loan guarantees (or loan guarantee commitments) that increase their cost, including modifications of pre-1992 direct loans and loan guarantees. Exemptions from these requirement for mandatory programs will be specified by OMB pursuant to section 504(c) of the Federal Credit Reform Act.

Unless otherwise specified by law, budget authority is available for liquidating obligations (i.e., outlays) for only five fiscal years after the authority expires.

For credit subsidies financed by annual or multi-year budget authority, agencies should ensure that the budget authority for the subsidy cost will remain available for disbursement over the full period in which loans will be disbursed. If this period is expected to be longer than five fiscal years after the budget authority expires, a special provision should be included in the appropriations language (see section 31.5).

33.3. Background.

The Federal Credit Reform Act of 1990 changed the budgetary measurement of cost for direct loans and loan guarantees from the amount of cash flowing into or out of the Treasury to the estimated long-term cost to the Government. Only the unreimbursed costs of making or guaranteeing new loans—the subsidy cost, on a present value basis, and administrative expenses, on a cash basis—are included in the budget. Agencies must receive appropriations for the subsidy cost before they can enter into direct loan obligations or loan guarantee commitments. The actual cash flows are recorded as a means of financing and are not included in the budget totals.

The subsidy cost is the estimated present value of the cash flows from the Government (excluding administrative expenses) less the estimated present value of the cash flows to the Government resulting from a direct loan or loan guarantee, discounted to the time when the loan is disbursed. The cash flows are the contractual cash flows adjusted for expected deviations from the contract terms (delin-

quencies, defaults, prepayments, and other factors). The rate used to discount the cash flows is the interest rate on a Treasury security of similar maturity to the loan. A positive net present value means that the Government is extending a subsidy to borrowers; a negative present value means that the credit program generates a “profit” (excluding administrative costs) to the Government.

Appropriations for the subsidy cost are made to the program account for the credit program and are recorded as budget authority. Obligations for the subsidy cost are recorded when the Government enters into a loan obligation or guarantee commitment. Outlays are recorded when the direct loan or guaranteed loan is disbursed to the public and the subsidy is paid from the program account to the financing account. The program account also receives appropriations for the cost of administering the credit program.

The actual cash flows (e.g., loan disbursements, collections of principal and interest payments, and payment of guarantee claims) are recorded in separate direct loan and guaranteed loan financing accounts. There is a separate financing account for each direct loan and loan guarantee program. The transactions of the financing accounts are displayed in the budget *Appendix* for informational and analytical purposes, together with the related program accounts, but are excluded from the budget totals because the net cash flows do not represent a cost to the government. The direct loan financing account combines the subsidy payment from the program account with borrowing from Treasury to finance the direct loan. It repays Treasury over time using principal and interest collected from the borrower. The guaranteed loan financing account holds the subsidy payment from the program account as a reserve against default claims. The reserve, together with interest earnings on this reserve from Treasury, is used to pay all default claims over the life of the loan.

Agencies are required to reestimate the subsidy cost throughout the life of each cohort of direct loans or loan guarantees to account for differences between the original assumptions of cash flow and actual cash flow or revised assumptions about future cash flow. These reestimates represent additional costs or savings to the Government and are recorded in the budget. Reestimates that increase the subsidy cost are financed by permanent, indefinite authority. There are two types of reestimates. Interest rate reestimates adjust for the effect on the subsidy

of differences between actual interest rates and the interest rates assumed when funds were obligated for the direct loans or loan guarantees. These reestimates must be made when the cohort is 90 percent disbursed. Technical/default reestimates adjust for revised assumptions about loan performance, such as differences between assumed and actual default rates or new projections of prepayments. These reestimates must be made at the end of each year.

Modifications of a direct loan or loan guarantee can also change the subsidy cost. A modification is any Government action different from the baseline assumptions that affects the subsidy cost, such as a change in the terms of the loan contract or legislation that provides new collection tools. The cost of a modification is the difference between the present value of the cash flows before and after the modification. Agencies must receive appropriations for the cost of a modification that increases the subsidy before the loans can be modified.

All cash flows resulting from direct loan obligations and loan guarantee commitments made prior to credit reform (in 1991 or previous years) are recorded in liquidating accounts. These accounts are recorded on a cash basis and are included in the budget totals. Liquidating account collections are available to pay obligations of the account, but they are not available to finance new direct loans or loan guarantees. If the collections are insufficient, liquidating accounts have permanent, indefinite authority to pay for losses and to repay any debt owed to Treasury or to other sources.

By focusing on the long-term costs of the program, credit reform meets the most fundamental goal of budgetary cost measurement—it provides decision makers with the information and the incentive to allocate resources efficiently. Unlike most budgetary transactions, the cash disbursements for a credit program are a poor measure of cost. Counting outlays for loan disbursements without taking into account probable repayments overstates the cost of a direct loan. Loan guarantees appear costless initially because payments of guarantee claims generally occur several years after the decision to extend credit has been made. Credit reform places the cost of credit programs on a budgetary basis equivalent to other federal spending, allowing for better comparison of cost between direct loan and loan guarantee programs and between credit and other programs. This improves the incentive to make good program decisions.

33.4. Definitions.

The following are key terms used in credit reform. In these definitions, the term “post-1991” means direct loan obligations or loan guarantee commitments made on or after October 1, 1991, and the resulting direct loans or loan guarantees. The term “pre-1992” means direct loan obligations or loan guarantee commitments made prior to October 1, 1991, and the resulting direct loans or loan guarantees.

(a) **Administrative expenses** are the portion of the total salaries and expenses that are directly related to credit program operations. The Federal Credit Reform Act generally requires administrative expenses for both pre-1992 and post-1991 direct loans and loan guarantees to be included in the program account. Administrative expenses are included in the liquidating account only if amounts credited to the liquidating accounts would have been available for administrative expenses under a provision of law in effect prior to October 1, 1991, and if no direct loan obligation or loan guarantee commitment has been made, or any modification of a direct loan or loan guarantee has been made, since September 30, 1991.

Administrative expenses that are tangentially related should not be included in the program account. As an illustration, the cost of auditing credit programs that is financed in the accounts for Inspectors General should not be included. Administrative expenses include:

- the appropriate proportion of administrative expenses that are shared with non-credit programs;
- the cost of operating separate offices or units that make policy decisions for credit programs;
- the cost of loan systems development and maintenance, including computer costs (under no circumstances will computer costs be paid out of financing accounts);
- the cost of monitoring credit programs and private lenders for compliance with laws and regulations;
- the cost of all activities related to credit extension, loan servicing, write-off, and close out; and
- the cost of collecting delinquent loans, except for the costs of foreclosing, managing, and selling collateral that are capitalized or routinely deducted from the proceeds of sales.

Administrative expenses may be expended directly from the program account or, if authorized by appropriation language (see section 31.5), used to reimburse a salaries and expenses account or the

Federal Financing Bank (FFB). If they are transferred to a salaries and expenses account or the FFB, the transfer will be recorded as an expenditure transfer. An obligation and outlay will be recorded in the program account, and an offsetting collection will be recorded in the salaries and expenses account. In the salaries and expenses account, obligations for administrative expenses will be recorded without necessarily identifying them as credit program expenses.

Administrative expenses are almost always discretionary spending. If these expenses are included in a program account that subsidizes a mandatory program, the administrative expenses will be requested as current, definite appropriations and reported as discretionary spending in MAX. The account, in this case, will be split between mandatory and discretionary spending.

(b) **Claim payments** are made to private lenders when a guaranteed loan defaults. They are reported in liquidating and guaranteed loan financing accounts as described below, except that no object class data are required for financing accounts. If a loan asset is acquired in exchange for the claim payment, the claim payment is reported as a loan receivable in the program and financing schedule and the object classification schedule (object class 33). If a loan asset is not acquired, the claim payment is reported in the program and financing schedule and object class schedule as a claim or insurance payment (object class 42) if nothing of value is received, or as the acquisition of physical assets (object class 32) if collateral is acquired. In both cases, the financing account records a financing disbursement, and the status of guaranteed loans schedule records terminations for default.

(c) **A cohort** consists of all direct loans or loan guarantees of a program for which a subsidy appropriation is provided for a given fiscal year, even if disbursements occur in subsequent years. For direct loans and loan guarantees for which a subsidy appropriation is provided for one fiscal year, the cohort will be defined by that fiscal year. For direct loans and loan guarantees for which multi-year or no-year appropriations are provided, the cohort is defined by the year of obligation. Direct loans and loan guarantees that are made from supplemental appropriations will be recorded in the same cohort as those that are funded in annual appropriations acts.

Cohort accounting applies only to post-1991 direct loans and loan guarantees and to pre-1992 direct

loans and loan guarantees that have been modified. Post-1991 direct loans or loan guarantees will remain with their original cohort throughout the life of the loans, even if they are modified. Pre-1992 direct loans that are modified, and pre-1992 loan guarantees that are modified, shall each constitute a single cohort. For purposes of budget presentation, cohorts will be aggregated. However, accounting and other records will be maintained separately for each cohort.

(d) A direct loan is a disbursement of funds by the Government to a non-Federal borrower under a contract that requires repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by a non-Federal lender. It includes financing arrangements that defer payment for more than 90 days, including the sale of a government asset on credit terms. It also includes loans financed by the Federal Financing Bank (FFB) pursuant to agency loan guarantee authority (see also section 12.3(c)). The term does not include the acquisition of federally guaranteed non-Federal loans in satisfaction of default or other guarantee claims or the price support loans of the Commodity Credit Corporation.

Pre-1992 loans made by the FFB on behalf of any agency will continue to be recorded as direct loans of the agency. Agency guarantees of post-1991 loans that are financed by the FFB are treated as direct loans in the budget, but the intrabudgetary cash flows reflect elements of direct loans and loan guarantees. The direct loan financing account for these loans will collect and hold the subsidy payment from the program account. This balance, together with interest earnings, will be available to pay the FFB in the event of default by the non-federal borrower. Agencies with programs financed by the FFB should consult with the OMB representative with primary responsibility for the program.

(e) A direct loan obligation is a binding agreement by a Federal agency to make a direct loan when specified conditions are fulfilled by the borrower. Acquisitions of federally guaranteed non-Federal loans in satisfaction of default or other guarantee claims are not recorded as new direct loan obligations. They are recorded as a disbursement in addendum entries (line 2331) to the guaranteed loan schedule (see section 33.7).

(f) The direct loan subsidy cost is the estimated long-term cost to the Government of a direct loan, calculated on a net present value basis, excluding administrative costs. Specifically, the cost of a direct

loan is the net present value, at the time when the direct loan is disbursed from the financing account, of the following estimated cash flows:

- loan disbursements;
- repayments of principal; and
- payments of interest and other payments by or to the Government over the life of the loan.

These estimated cash flows include the effects of estimated defaults, prepayments, fees, penalties, recoveries, and expected actions by the Government and the borrower within the terms of the loan contract, such as the exercise by the borrower of an option included in the loan contract.

Obligations for the subsidy cost will be recorded against budget authority in the program account when the direct loan obligation is incurred. Accounts payable (to the direct loan financing account) will be recorded in the amount of the estimated obligation. The subsidy will be paid to the financing account when the loan is disbursed. (See the OMB subsidy model and User's Guide for information about estimating the subsidy.)

(g) The discount rate is the interest rate that is used to calculate the present value of the cash flows. It is equal to the interest rate on marketable Treasury securities of comparable maturity to the loan. For cohorts that disburse in one year, the discount rate is the average annual interest rate for that year. For cohorts that disburse over more than one year, the discount rate is the average of the average annual interest rates over the years that loans are disbursed, weighted by the dollar amount of loan disbursements in each year. The rate at which interest will be paid on the amounts borrowed or held as an uninvested balance by a financing account for a particular cohort will be the same as the discount rate used to calculate the cost of that cohort. A spreadsheet is available from OMB to calculate interest expense.

(h) A financing account is a non-budgetary account (its transactions are excluded from the budget totals) that records all of the cash flows resulting from post-1991 direct loans or loan guarantees. It disburses loans, collects repayments and fees, makes claim payments, holds balances, borrows from Treasury, earns or pays interest, and receives the subsidy cost payment from the credit program account. Separate financing accounts are required for direct loans and loan guarantees. There is at least one financing account for each program account. If the program account receives subsidy appropriations

for both direct loans and loan guarantees, it has two financing accounts. Information schedules for financing accounts are printed in the budget *Appendix* together with the program account.

(i) **A liquidating account** is a budget account that records all cash flows to and from the Government resulting from pre-1992 direct loan obligations or loan guarantee commitments. Cash flows associated with modified direct loans and loan guarantees are treated differently (see sections 33.4(n) and 33.11). Liquidating account collections in any year are available only for obligations incurred during that year or to repay debt. All liquidating accounts are classified as mandatory.

(j) **A loan asset sale** is a sale of one or more loans to a non-Federal buyer, either individually, pooled, packaged, securitized, or as a joint venture, at a single point in time, subject to parties fulfilling the terms and conditions of the Government's offer. Loan assets consist of direct loans and loan receivables resulting from defaulted guaranteed loans.

(k) **A loan guarantee** is any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender, except for the insurance of deposits, shares, or other withdrawable accounts in financial institutions. Loans that are financed by the FFB pursuant to agency loan guarantee authority are treated as direct loans rather than loan guarantees (see also section 12.3(c)).

(l) **A loan guarantee commitment** is a binding agreement by a Federal agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement.

(m) **The loan guarantee subsidy cost** is the estimated long-term cost to the Government of a loan guarantee, calculated on a net present value basis, excluding administrative costs. Specifically, the cost of a loan guarantee is the net present value, at the time when the guaranteed loan is disbursed by the lender, of the following estimated cash flows:

- payments by the Government to cover defaults and delinquencies, interest subsidies, and other requirements; and
- payments to the Government, including origination and other fees, penalties, and recoveries.

These estimated cash flows include the effects of expected actions by the Government and the exercise by the guaranteed lender of an option included in the loan guarantee contract, or by

the borrower of an option included in the guaranteed loan contract.

Obligations for the subsidy cost will be recorded against budget authority in the program account when the loan guarantee commitment is made. The subsidy will be paid to the guaranteed loan financing account when the loan is disbursed by the private lender. (See the OMB subsidy model and users' guide for information about estimating the subsidy.)

(n) **A modification** is a Government action that (a) differs from actions assumed in the baseline estimate of cash flows and (b) changes the estimated cost of an outstanding direct loan (or direct loan obligation) or an outstanding loan guarantee (or loan guarantee commitment). The modification may be for a single loan or loan guarantee as well as a group; it may be any size; it may affect pre-1992 direct loans and loan guarantees or post-1991 direct loans or loan guarantees. New legislation that alters the baseline cash flow estimate for a loan or group of loans always results in a modification.

A Government action may change the cost directly by altering the terms of existing contracts, selling loan assets (with or without recourse), or converting guaranteed loans to direct loans by purchasing them from a private lender; or indirectly by legislatively changing the way in which a portfolio of direct loans or guaranteed loans is administered. Examples of changes in the terms of existing loan contracts are forgiveness, forbearance, interest rate reductions, extensions of maturity, and prepayments without penalty. Examples of changes in loan administration are new methods of debt collection, such as using tax refunds to repay loans, and restrictions on debt collections. If the baseline cost estimate does not assume an action, and the cost would be increased or decreased as a result of that action, the action is a modification.

Modifications do not include a Government action that is assumed in the baseline cost estimate, as long as the assumption is documented and has been approved by OMB. For example, modifications would not include routine administrative workouts (see section 33.4(v)) of troubled loans or loans in imminent default, and the borrower's or the Government's exercise of an option that is permitted within the terms of an existing contract, such as prepaying the loan. The baseline subsidy estimate should include all anticipated actions by the Government and borrowers that are permissible under current law and that affect the cash flow. If an

action by the borrower or the Government differs from what is anticipated in the baseline subsidy estimate, then the difference in cost, if any, is included in a reestimate.

Modifications do not include additional disbursements to borrowers that increase the amount of an outstanding direct loan or an outstanding loan guarantee. These are treated as new direct loans or loan guarantees in the amount of the additional disbursement.

There are situations where it is not clear whether a Government action constitutes a modification or a reestimate. These situations should be judged on a case-by-case basis by OMB in consultation with the agency. They could include actions by the Government that are not addressed in existing contracts, management changes that are within an agency's existing specific authority for the loan program, and broad changes in agency policy (e.g., loan sale policy). In general, if the possibility of the action was explicitly included in the cash flows for the baseline subsidy estimate, and this can be documented, it would most likely be a reestimate. If not, it would most likely be a modification.

Modifications produce a one-time change in the subsidy cost of outstanding direct loans and loan guarantees. The effect of the Government action, if any, on the subsidy cost of direct loan obligations and loan guarantee commitments made after the date of the modification is not a modification. Instead, the effects are incorporated in the initial cost estimates for subsequent direct loan obligations and loan guarantee commitments.

(o) A modification cost is the difference between the estimate of the net present value of the remaining cash flows assumed for the direct loan or loan guarantee contract before and after the modification. The estimate of the remaining cash flows before the modification must be the same as assumed in the baseline for the most recent President's budget. The estimate of the remaining cash flows after the modification must be the pre-modification cash flows adjusted solely to reflect the effects of the modification.

An outstanding direct loan (or direct loan obligation) or loan guarantee (or loan guarantee commitment) can not be modified in a manner that increases its cost, unless budget authority for the additional cost has been provided in advance in an appropriations act. If the modification is mandated in legislation, the legislation itself provides the budget

authority to incur a subsidy cost obligation (whether explicitly stated or not).

Budget authority, an obligation, and an outlay will be recorded in the year in which the legislation is enacted or the administrative discretion is exercised, or in the case of appropriations acts enacted before the fiscal year to which they apply, the year for which appropriations are provided.

When post-1991 direct loans or loan guarantees are modified, a modification adjustment transfer between the financing account and the general fund must also be calculated. These calculations are explained in section 33.10(d); their budgetary treatment is explained in section 33.11(b). When pre-1992 direct loans or loan guarantees are modified, an additional transfer must be made between the liquidating account and financing account. This transfer is described in section 33.11(c).

(p) Negative subsidies are subsidy costs that are less than zero. They occur if the present value of cash inflows to the Government exceeds the present value of cash outflows. In such cases, appropriations bills must still provide specific authority before direct loans or loan guarantees can be made.

When a direct loan obligation or a loan guarantee commitment is made that has a negative subsidy, an amount equal to the negative subsidy will be obligated in the financing account. The financing account will pay the negative subsidy to the negative subsidy receipt account (or to the program account in the case of a mandatory program) when the loan is disbursed. The collections are recorded as offsetting receipts or offsetting collections, and they offset the agency's budget authority and outlays. The accounting for negative subsidies is discussed in (q) below.

(q) Negative subsidy accounts are budget accounts for the receipt of amounts paid from the financing account when there is a negative subsidy for the original estimate or a downward reestimate (see section 33.4(p) and (t)). In most cases, the receipt account is a general fund receipt account. Amounts credited to general fund receipt accounts are not earmarked for the credit program. They are available for appropriation only in the sense that all general fund receipts are available for appropriation.

At the discretion of the OMB representative with primary responsibility for the program, a special fund receipt account may instead be established for the purpose of earmarking the receipts for appropriation to the program (in which case a

special fund expenditure account also will be established and merged with the program account). Unless the program is a mandatory program (see section 33.2), these receipts are available for obligation only to the extent provided in annual appropriations acts. For mandatory programs, the receipts are permanently appropriated for subsidy costs, but usually are available for administrative expenses only to the extent provided in annual appropriations acts. For mandatory programs, negative subsidies and downward reestimates may be credited directly to the program account as offsetting collections from non-federal sources.

Obligations may not be incurred against appropriations of the receipts until they have been credited to the receipt account. Because negative subsidy receipts are not credited to the receipt account until the underlying direct loan or guaranteed loan is disbursed, they might not become available in time to fund expenditures in a timely manner. Such situations might require an appropriation from the general fund to permit obligations to be made until receipts are available for obligation.

(r) **Net proceeds** from loan asset sales are the amounts paid by the purchasers less all seller transaction costs (such as underwriting, rating agency, legal, financial advisory, and due diligence fees) that are paid out of the gross sales proceeds rather than paid as direct obligations by the agency. The net proceeds from the sale of an equity partnership are the same as defined above plus an estimate of the net present value of future cash inflows to the Government from the sale.

(s) **A program account** is a budget account that receives and obligates appropriations to cover the subsidy cost of a direct loan or loan guarantee, and disburses the subsidy cost to the financing account. Program accounts usually receive a separate appropriation for administrative expenses.

(t) **Reestimates** are revisions of the subsidy cost estimate of a cohort (or risk category) based on information about the actual performance and/or estimated changes in future cash flows of the cohort. Reestimates must be made immediately after the end of each fiscal year, as long as any loans in the cohort are outstanding, unless a different plan is approved by OMB (see section 33.10(e)). An upward reestimate indicates that insufficient funds had been paid to the financing account, so the increase (including interest) is paid from the program account to the financing account to make it whole. Permanent indefinite budget authority is available

for this purpose pursuant to section 504(f) of the Federal Credit Reform Act. A downward reestimate indicates that too much subsidy had been paid to the financing account. For discretionary programs, the excess (including interest) is disbursed to a negative subsidy receipt account. For mandatory programs, the excess may be credited directly to the program account as offsetting collections or to a negative subsidy receipt account. The surplus/deficit is decreased/increased by upward reestimates and is increased/decreased by downward reestimates. (See section 33.10(e).)

(u) **Risk categories** are subdivisions of a cohort of direct loans or loan guarantees into groups that are relatively homogeneous in cost, given the facts known at the time of obligation or commitment. They will be developed by agencies in consultation with the OMB representative with primary budget responsibility for the credit account. The number will depend on the size of the difference in subsidy cost between categories and the ability to predict it statistically based on facts known at origination.

Risk categories will group all direct loans or loan guarantees within a cohort that share characteristics predictive of defaults and other costs. They may be defined by characteristics or combinations of characteristics of the loan, the project financed, and/or the borrower. Examples of characteristics or indicators that may predict cost include:

- the loan-to-value ratio;
- the relationship between the loan interest rate and relevant market rates;
- type of school attended for education loans;
- country risk categories for international loans; and
- various asset or income ratios.

Statistical evidence must be presented, based on historical analysis of program data or comparable credit data, concerning the likely costs of defaults, other deviations from contract, or other costs that are expected to be associated with the loans in that category.

(v) **Work-outs** are plans that offer options short of default or foreclosure for resolving troubled loans or loans in imminent default, such as deferring or forgiving principal or interest, reducing the borrower's interest rate, extending the loan maturity, or postponing collection action. Work-outs are expected to minimize the cost to the Government of resolving troubled loans or loans in imminent default. They should only be utilized if it is likely that the borrower will be able to repay under the terms

of the workout and if the cost of the workout is less than the cost of default or foreclosure. For post-1991 direct loans and loan guarantees, the expected effects of work-outs on cash flow are included in the original estimate of the subsidy cost. Therefore, to the extent that the effects of work-outs on cash flow are the same as originally estimated, they do not alter the subsidy cost. If the effects on cash flow are more or less than the original estimate, the differences are included in reestimates of the subsidy and are not a modification.

33.5. Materials and data required.

(a) **General.** The requirements concerning computer materials in general are described in section 20.1. The credit data entries are described in sections 33.6, 33.7, 33.8, and 33.9. A summary of credit reform requirements is provided below.

A two-digit group code will be used to group data by program. If additional groups are needed, agencies should contact their OMB representative. In the MAX system, amounts will be automatically generated for total and subtotal entries, and start of year balances for the CY through BY+4. In some cases, agencies will be able to override the generated amounts; in other cases, the amounts will be protected. Detailed information is provided in the *MAX A-11 User's Guide*.

Separate credit schedules will be required for supplemental requests and proposed legislation items. These schedules will show the effect of the supplemental request or proposed legislation on the information presented in the regular schedules for the program.

A narrative statement is required for all credit programs (as described in section 34.5).

A written justification is required for all new credit programs or credit programs requiring reauthorization. The justification must address the Federal credit policies and guidelines contained in OMB Circular No. A-129.

Each program making post-1991 direct loans or loan guarantees will have at least two and as many as five types of accounts:

- a program account;
- a financing account for direct loan obligations, if any;
- a financing account for loan guarantee commitments, if any;
- a negative subsidy account for negative subsidies and downward reestimates, if any; and
- a liquidating account for pre-1992 direct loans and loan guarantees, if any.

(b) **Summary of MAX line numbers.**—The following table lists the range of line numbers and types of data that appear in the MAX data base for credit data.

MAX schedule and line no.	Description	A-11 sec. no.
<i>G (Federal credit data, direct loans, presidential policy, PY–BY+4:)</i>		
11xx–12xx	Direct loan data (<i>liquidating and financing accounts</i>)	33.6
33xx	Agency debt held by the FFB	33.8
6300	Net financing disbursements (<i>financing accounts only</i>)	33.8
<i>H (Federal credit data, guaranteed loans, presidential policy, PY–BY+4:)</i>		
21xx–23xx	Guaranteed loan data (<i>liquidating and financing accounts</i>)	33.7
6300	Net financing disbursements (<i>financing accounts only</i>)	33.8
<i>U (Program account loan levels and subsidy data, presidential policy, PY–BY):</i>		
11xx	Direct loan levels	33.9
13xx	Direct loan subsidy data	33.9
21xx	Guaranteed loan levels	33.9
23xx	Guaranteed loan subsidy data	33.9
35xx	Administrative expense data	33.9
<i>Y (Federal credit data, baseline estimates, CY–BY+4):</i>		
6300	Net financing disbursements (<i>financing accounts only</i>)	33.8

(c) **Summary of credit requirements.**—The print materials and MAX schedules required for credit liquidating, program, financing, and negative subsidy

accounts are listed below. References to applicable A–11 sections and exhibits are also provided.

SUMMARY OF CREDIT REFORM REQUIREMENTS

	A–11 Section Number	Exhibit Number
LIQUIDATING ACCOUNT		
Presidential policy, MAX schedule A	21	—
Character class data, MAX schedule C	25.4	—
Financial statements, MAX schedules E and F	36.3	—
Status of direct and/or guaranteed loans, MAX schedule G and/or H	33.6, 33.7, 33.8	33J, 33K
Object classification schedule, MAX schedule O	35.4	—
Program and financing schedule, MAX schedule P	32, 33.5	33I
Baseline estimates, MAX schedule S	23	—
Narrative statement	34.5	—
PROGRAM ACCOUNT		
Appropriations language	31.5	—
Presidential policy, MAX schedule A	21	—
Schedule on unavailable collections, MAX schedule N	33.10(e), 36.6	—
Object classification schedule, MAX schedule O	35.4	—
Program and financing schedule, MAX schedule P	32, 33.5(d)	33A
Summary of loan levels, subsidy budget authority, and outlays, MAX schedule U	33.8	33B
Narrative statement	34.5	—
FINANCING ACCOUNT		
Financial statements, MAX schedule F	36.3	33E,H
Status of direct and/or guaranteed loans, MAX schedule G and/or H	33.6, 33.7, 33.8	33D,G
Program and financing schedule, MAX schedule P	33.5(e)	33C,F
Schedule Y	33.8	—
Narrative statement	34.5	—
NEGATIVE SUBSIDY ACCOUNT		
Receipts, baseline estimates, MAX schedule K	21.4	—
Receipts, presidential policy, MAX schedule R	21.4	—

(d) **Program accounts** are required for post-1991 direct loan obligations or loan guarantee commitments and for modifications of pre-1992 direct loans and loan guarantees. They record budget authority, obligations, and outlays for subsidy costs and the administrative expenses of a credit program (including administrative expenses for pre-1992 direct loans and loan guarantees). In most cases, current, definite budget authority is provided in appropriation acts for subsidy payments (except for entitlements which have permanent, indefinite budget authority) and administrative expenses. Permanent, indefinite authority is available for reestimates and interest on reestimates.

The line number scheme shown below will be used in the “obligations by program activity” section of the program and financing schedule.

00.01 Direct loan subsidy
00.02 Loan guarantee subsidy

00.03 Subsidy for modifications of direct loans
00.04 Subsidy for modifications of loan guarantees
00.05 Reestimates of direct loan subsidy
00.06 Interest on reestimates of direct loan subsidy
00.07 Reestimates of loan guarantee subsidy
00.08 Interest on reestimates of loan guarantee subsidy
00.09 Administrative expenses

All direct expenses will be recorded in the appropriate object class. Administrative expenses transferred to a salaries and expenses account will be recorded in object class 25.3, “Purchases of goods and services from Government accounts”. (See section 33.4(a) for additional detail about recording administrative expenses.) In the salaries and expenses account, reimbursable obligations for administrative expenses will be recorded in the appropriate object class. Reimbursable obligations are reported using a “2” as the first digit of the line number. (See section 35.4 for more information about the classification of reimbursable programs in the object class schedule.)

The following MAX data are required for the program account, even if the Administration is proposing to terminate a credit program. These requirements are summarized on the tables in sections 33.5(b) and (c).

- MAX schedule A (PY through BY+9);
- MAX schedule U (PY through BY);
- MAX schedule S (CY through BY+9); and
- MAX schedules C, P, O, and N (if necessary) (PY through BY).

(e) **Financing accounts** record the cash flows associated with post-1991 direct loan obligations or guaranteed loan commitments and for modifications of all direct loans and loan guarantees. These cash flows include loan disbursements, payments for guarantee claims, principal repayments, interest received from borrowers, interest paid on borrowing, interest earned on uninvested funds, interest supplements, and fees and premiums received.

Separate financing accounts will be used for direct loan obligations and loan guarantee commitments.

Direct loan financing accounts will be the financing mechanism for post-1991 direct loans and for modifications of pre-1992 and post-1991 direct loans. Guaranteed loan financing accounts will provide a reserve against defaults on post-1991 loan guarantees and modifications of all direct loans and loan guarantees.

The following MAX data are required for each financing account, even if the Administration is proposing to terminate a credit program. These requirements are summarized on the tables in sections 33.5(b) and (c).

- MAX schedule G (direct loans) and H (loan guarantees) (PY through BY+4);
- MAX schedule Y (CY through BY+4);
- MAX schedule F (PY through BY); and
- MAX schedule P (PY through BY).

The program and financing schedules typically will include the following transactions:

SELECTED P&F ENTRIES IN FINANCING ACCOUNTS

Entry	Description
Obligations by program activity: <i>Stub entries should describe the transactions reported below.</i> 00.01-00.09	Obligations for post-1991 direct loan disbursements (equal to face value), default claims on post-1991 loan guarantees, interest supplements to lenders, interest on debt owed to Treasury (calculated at the same rate as the discount rate for the cohort). A spreadsheet is available from OMB to calculate interest expense.
08.01	Obligations for negative subsidies to be paid to the negative subsidy receipt account for the credit program.
08.02	Obligations for downward reestimates of the subsidy to be paid to the negative subsidy account for the credit program.
08.03	Obligations for payments to purchase liquidating account loan assets or to reimburse the liquidating account for modification cost increases for pre-1992 direct loans and loan guarantees (see section 33.11(c)).
New financing authority(gross), detail: 60.05 Appropriation (indefinite)	Amount of authority becoming available as a result of a modification adjustment transfer from the general fund, in the event that the modification cost estimate under-compensated the financing account (see section 33.11(b)).
67.15 Authority to borrow (indefinite)	Financing authority (authority to borrow, permanent, indefinite) to borrow from Treasury for the part of direct loans not financed by subsidy and fees, and for any default claims that cannot be paid by unobligated balances.
68.00 Offsetting collections (cash)	Amount equal to offsetting collections (cash) credited to the account.
68.10 From Federal sources: Change in receivables and unpaid, unfilled orders	Change in receivables from program account for direct loan subsidy (difference between line 72.95 and line 74.95). Increases will be reported as positive entries; decreases will be reported as negative entries.
68.27 Capital transfer to general fund	Used for modification adjustment transfer to the general fund in the event that the modification cost estimate over-compensated the financing account (see section 33.11(b)).
Change in unpaid obligations: 72.40 Obligated balance, start of year 72.95 Receivables from program account 74.40 Obligated balance, end of year 74.95 Receivables from program account	Portion of start of year unpaid obligations that represent undisbursed direct loan obligations. Subsidies receivable from program account, start of year. Portion of end of year unpaid obligations that represent undisbursed direct loan obligations. Subsidies receivable from program account, end of year.
Offsets: 88.00 Federal sources	Collections of subsidy payments and upward reestimates from program accounts, certain modification adjustment transfers from the general fund, and adjusting payments from liquidating accounts for pre-1992 direct loans and loan guarantees (see section 33.11(c)).

SELECTED P&F ENTRIES IN FINANCING ACCOUNTS—Continued

Entry	Description
88.25 Interest on uninvested funds	Collections of interest on uninvested funds. A spreadsheet is available from OMB to calculate interest earned.
88.40 Non-Federal sources	Collections of principal repayments and interest payments on direct loans by borrowers, collections on defaulted direct loans or guaranteed loans, fees or premiums paid by non-federal lenders or borrowers, prepayments of direct loans, and proceeds from the sale of direct loans or collateral.

An illustration of a typical direct loan financing account program and financing schedule can be found at Exhibit 33C. An illustration of a typical guaranteed loan financing account program and financing schedule can be found at Exhibit 33F.

(f) **Liquidating accounts** record the cash flows associated with pre-1992 direct loan obligations or loan guarantee commitments, except for modified direct loans or loan guarantees that have been transferred to a financing account.

Collections typically credited to a liquidating account are interest, loan repayments and prepayments, proceeds from the sales of loans, and fees related to pre-1992 obligations and commitments. These collections are available only for:

- interest payments and repayment of debt;
- disbursements of loans obligated prior to 1992;
- default and other guarantee claim payments;
- interest supplement payments;
- payments for the cost of foreclosing, managing, and selling collateral that are capitalized or routinely deducted from the proceeds of sales;
- payments to financing accounts when required for modifications;
- administrative expenses, if amounts credited to the liquidating accounts would have been available for administrative expenses under a provision of law in effect prior to October 1, 1991, and no direct loan obligations or loan guarantee commitments have been made, or any modification of a direct loan or loan guarantee has been made, since September 30, 1991; and
- other payments that are necessary for the liquidation of pre-1992 direct loan obligations and loan guarantee commitments.

Amounts credited to liquidating accounts in any year are available only for obligations that are incurred in that year, even if the outlay will occur in a subsequent year, and for repayment of debt. Unobligated balances at the end of the fiscal year are unavailable for obligation in subsequent fiscal years and must be transferred to the general fund at the end of the fiscal year, unless an extension has been approved by OMB (see section 15.11).

Transfers will be accomplished by first repaying debt and then by a capital transfer to the general fund.

The Federal Credit Reform Act provides permanent, indefinite authority to cover obligations and commitments in the event that funds in liquidating accounts are otherwise insufficient. If the liquidating account's obligations will exceed its collections during the year, the agency should request an apportionment and warrant of permanent, indefinite authority estimated to be needed for the fiscal year, before the beginning of the fiscal year.

The liquidating account status of direct and/or guaranteed loans will reflect disbursements and repayments of pre-1992 loans. Therefore, in the liquidating account status of direct and/or guaranteed loans:

- there will be no post-1991 direct loan obligations or loan guarantee commitments;
- direct and guaranteed loan disbursements will be shown only for pre-1992 direct loans or loan guarantees; and
- repayments and prepayments will reflect only pre-1992 direct loan obligations and loan guarantee commitments.

Illustrations of typical liquidating account status of direct and guaranteed loans schedules can be found at Exhibits 33J and 33K. An illustration of a typical liquidating account program and financing schedule can be found at Exhibit 33I.

The following MAX data are required for each liquidating account. These requirements are summarized on the tables in sections 33.5(b) and (c):

- MAX schedule A (PY through BY+9) (note that liquidating accounts will be coded as mandatory spending);
- MAX schedules G (direct loans) and/or H (loan guarantee) (PY through BY+4);
- MAX schedules C, P, and O (PY through BY);
- MAX schedules E and F (PY 1 through BY); and
- MAX schedule S (CY through BY+9).

(g) **Negative subsidy accounts** record receipts of amounts paid from the financing account when there is a negative subsidy or downward reestimate. Usually, they are general fund receipt accounts, but with the permission of the OMB representative for the account, they can be special fund receipt accounts. Negative subsidies will be reported as discretionary, unless the credit program is “mandatory”, and downward reestimates for all credit programs will be reported as “mandatory, authorizing committee.”

No print materials are required for negative subsidy receipt accounts. The following MAX schedules are required for each negative subsidy account:

- MAX schedule R (PY through BY+9); and
- MAX schedule K (CY through BY+9).

33.6. Direct loan data (MAX Schedule G).

A schedule on the status of direct loans will be prepared for all liquidating accounts from which pre-1992 direct loans were obligated and for all direct loan financing accounts from which post-1991 direct loans are obligated. Applicable entries and line codes shown in the table below will be used.

The data will be submitted in MAX schedule G. Outyear estimates will be submitted for all entries. Entries in boldface will be generated automatically.

The 1100 data line series should be used only in direct loan financing accounts. These lines contain

data on an agency’s direct loan obligations as they relate to enacted or proposed limitations. Agencies should show separately the total amount of the limitations and the portion that is unobligated. Where the limitation is multi year, the amount of unused limitation will be carried forward and shown on a line 1113.

The 1200 data line series shows balances and changes in balances of direct loans outstanding and is applicable to both liquidating and direct loan financing accounts. These lines record the cumulative balance of direct loans disbursed less various kinds of repayments plus or minus other adjustments.

Repayments, prepayments, and proceeds from loan asset sales credited to liquidating or financing accounts must agree with amounts included for these transactions on line 88.40 (offsetting collections from non-Federal sources) of the program and financing schedule for the account (see section 32.5).

The proceeds from discounted prepayment programs that were part of a loan asset sales program should be recorded together with the proceeds from loan asset sales to the public (line 1253). The discount (i.e., the difference between the face value of the loan and the proceeds received from discounted prepayments) should be recorded together with the discount on loan asset sales to the public (line 1262).

DATA REQUIREMENTS FOR MAX SCHEDULE G

Entry	Description
These data should be provided for PY through BY+4 in the direct loan financing account. No data on loan limitations or loan obligations should be provided in liquidating accounts.	
Position with respect to appropriations act limitation on obligations:	
1111 Limitation on direct loans	Amount of limitation enacted or proposed to be enacted in appropriations acts. For discretionary programs, this amount is equal to line 1159 in MAX schedule U. So long as any entry appears on lines 1111 through 1131, this line should remain in MAX and will be listed in the stub column even if no amounts are shown.
1112 Unobligated direct loan limitation (–)	Amount of limitation enacted in appropriations acts that is not obligated in the year it is enacted. Include both amounts that lapse and multi-year limitation amounts that can be carried forward in a future fiscal year (see line 1113). Use in past and current years only, unless specifically approved by OMB.
1113 Unobligated limitation carried forward (P.L. xx)	Amount of multi-year limitation enacted in a prior year appropriations act that was not obligated and is carried forward and used in a subsequent year.
1131 Direct loan obligations exempt from limitation	Amount of obligations for direct loans to the public not subject to a specific limitation in appropriations acts.
1150 Total direct loan obligations	The sum of lines 1111 through 1131. This is the direct loan portion of the credit budget. This amount should be consistent with direct loan obligations recorded in the program and financing schedule of the financing account.
These data should be provided for liquidating and direct loan financing accounts.	
Cumulative balance of direct loans outstanding:	
1210 Outstanding, start of year	Amount of direct loan principal outstanding at the beginning of the year.

DATA REQUIREMENTS FOR MAX SCHEDULE G—Continued

Entry		Description
Disbursements:		
1231	Direct loan disbursements	Amounts of disbursements of principal for direct loans. This does not include amounts shown separately in line 1232. In the liquidating account, this entry will include loans disbursed by the FFB.
1232	Purchase of loan assets from the public	Amount of loans purchased or repurchased by the account from non-Federal lenders.
1233	Purchase of loan assets from a liquidating account	Amount of direct loan assets transferred from liquidating account to a financing account as a result of a loan modification.
Repayments:		
1251	Repayments and prepayments (–)	Amount of principal repayments or prepayments. In the liquidating account, this entry will include repayments on loans disbursed by the FFB.
1252	Proceeds from loan asset sales to the public or discounted prepayments without recourse (–)	Amount of gross proceeds received from the non-recourse sale of loans to non-Federal buyers or the discounted loan prepayments that were part of a loan asset sales program.
1253	Proceeds from loan asset sales to the public with recourse (–)	Amount of gross proceeds received from the sale of loans to non-Federal buyers when loans are sold with recourse to the Federal Government. The full principal of the loans is scored as a new guaranteed loan commitment (line 2132). The amount of new budget authority resulting from the sale should equal the amount on line 64.00 of the program and financing schedule.
Adjustments:		
1261	Capitalized interest (+)	Amount of interest due at the end of the year that is capitalized as part of the existing loan principal.
1262	Discount on loan asset sales to the public or discounted prepayments (–)	Difference between the face value of the loan and the proceeds received by the account from the sales of loans to non-Federal buyers or discounted loan prepayments that were part of a loan asset sales program.
Write-offs for default:		
1263	Direct loans (–)	Amount of direct loan principal reduced by write-offs for defaults. This line should only be used to indicate write-offs of loans that were initiated as direct loans. (Refer to the definitions for write-offs in OMB Circular No. A–129.)
1264	Other adjustments, net (+ or –)	Proceeds from the sale of collateral acquired from the foreclosure of direct loans; amount of principal repayments waived as provided by statute, in the event of certain specified contingencies; outstanding balances of loans transferred to or received from other accounts; amount of principal reduced or increased for other reasons. When this line is used, the nature of the adjustment must be explained in a footnote.
1290	Outstanding, end of year	Amount of direct loan principal outstanding at the end of the year. The sum of lines 1210 through 1264.

33.7. Guaranteed loan data (MAX Schedule H).

A schedule on the status of guaranteed loans will be prepared for all liquidating accounts from which pre-1992 loan guarantees were committed and for all guaranteed loan financing accounts from which post-1991 loan guarantees are committed. Applicable entries and line codes shown in the table below will be used. Amounts will be the full principal amounts of loans guaranteed, whether guaranteed in full or in part.

The data will be submitted in MAX schedule H. Outyear estimates will be submitted for all entries. Line numbers in boldface will be generated automatically.

The 2100 data line should be used only in guaranteed loan financing accounts. These lines collect data on an agency's guaranteed loan commitments as they relate to enacted or proposed limitations. Agencies should show separately the total

amount of the limitation and the portion that is uncommitted. Where the limitation is multi-year, the amount of unused limitation will be carried forward and shown on a separate line. Agencies should not count agency guarantees of loans disbursed by the FFB as guaranteed loans; such loans should be treated as direct loans of the agency financed by the FFB.

The 2200 data line series shows changes in guaranteed loan balances outstanding and is applicable to both liquidating accounts and guaranteed loan financing accounts. It excludes all guarantees of FFB activity from cumulative balances of guaranteed loans; disaggregates into three categories the write-offs of guaranteed loans due to default; and incorporates other transactions in "other adjustments". Guaranteed loan balances show principal only, even if the guarantee covers both the principal and interest.

DATA REQUIREMENTS FOR MAX SCHEDULE H

Entry	Description
These data should be provided for PY through BY+4 in the guaranteed loan financing account. No data on loan limitations or guarantee commitments should be provided in liquidating accounts.	
Position with respect to appropriations act limitation on commitments:	
2111 Limitation on guaranteed loans made by private lenders	Amount of limitation enacted or proposed to be enacted in appropriations acts on full principal of commitments to guarantee loans by private lenders. For discretionary programs, this line is equal to line 2159 in MAX schedule U. So long as any entry appears on lines 2111 through 2132, this line should remain in MAX and will be listed in the stub column even if no amounts are shown.
2112 Uncommitted loan guarantee limitation (–)	Amount of limitation enacted in appropriations acts on full principal of commitments to guarantee loans by private lenders that is not committed in the year it is enacted. Includes both amounts that lapse and multi-year limitation amounts that can be carried forward in a future fiscal year (see line 2113). Use in past and current years only, unless specifically approved by OMB.
2113 Uncommitted limitation carried forward (P.L. xx)	Amount of multi-year limitation enacted in a prior year appropriations act that was not committed and is carried forward and used in a subsequent year.
2131 Guaranteed loan commitments exempt from limitation	Amount of full principal of commitments to guarantee loans by private lenders that is not subject to limitation.
2132 Guaranteed loan commitments for loan asset sales to the public with recourse	Amount of full principal of guaranteed loan commitments made as a result of selling direct loans to non-Federal buyers with recourse to the Federal Government.
2150 Total guaranteed loan commitments	The sum of lines 2111 through 2132. This is the guaranteed loan portion of the credit budget.
Memorandum:	
2199 Guaranteed amount of guaranteed loan commitments	Amount of maximum potential Federal liability for the guaranteed loan principal associated with line 2150. To the extent the guarantee covers both principal and interest, this amount must exclude interest. This entry is required even though the amount may be the same as in line 2150.
These data should be provided for liquidating and guaranteed loan financing accounts.	
Cumulative balance of guaranteed loans outstanding:	
2210 Outstanding, start of year	Amount of guaranteed loan principal outstanding at the beginning of the year.
Disbursements:	
2231 Disbursements of new guaranteed loans	Amount of guaranteed loan principal disbursed.
2232 Guarantees of loans sold to the public with recourse	Face value amount of guaranteed loan principal of loans sold to non-Federal buyers with recourse to the Federal Government.
2251 Repayments and prepayments (–)	Amount of principal repayments and prepayments.
Adjustments:	
2261 Terminations for default that result in loans receivable (–)	Amount of loan principal reduced by terminations for default that subsequently become a loans receivable in which the formerly guaranteed borrower owes the agency for the amount of claims paid as a result of the borrower's default.
2262 Terminations for default that result in acquisition of property (–)	Amount of loan principal reduced by terminations for default that lead to the acquisition of property by the agency.
2263 Terminations for default that result in claim payments (–)	Amount of loan principal reduced by terminations for default that lead to claim payments by the agency that result in neither a loan receivable nor the acquisition of property.
2264 Other adjustments, net (+ or –)	Amount of loan principal reduced or increased for reasons other than those covered by the lines listed above; outstanding principal balances of guaranteed loans transferred to or received from other accounts. When this line is used, the nature of the adjustment must be explained in a footnote.
2290 Outstanding, end of year	Amount of guaranteed loan principal outstanding at the end of the year. The sum of lines 2210 through 2264.
Memorandum:	
2299 Guaranteed amount of guaranteed loans outstanding, end of year	Amount of maximum potential Federal liability for the guaranteed loan principal associated with line 2290. To the extent the guarantee covers both principal and interest, this amount must exclude interest. This entry is required even though the amount may be the same as in line 2290.
Addendum:	
Cumulative balance of defaulted guaranteed loans that result in loans receivable:	
2310 Outstanding, start of year	Amount of defaulted guaranteed loans that resulted in the acquisition of a loan receivable outstanding at the beginning of the year.

DATA REQUIREMENTS FOR MAX SCHEDULE H—Continued

Entry	Description
2331 Disbursements for guaranteed loan claims	Amount of disbursements for acquisition of defaulted loans that were previously guaranteed and result in loans receivable, where the borrower owes the account for the disbursement. These disbursements include past due interest amounts that were paid under the terms of the loan guarantee, if such amounts were capitalized as part of the loan principal. (This entry will only be used in liquidating accounts and guaranteed loan financing accounts.)
2351 Repayments of loans receivable (–)	Proceeds received by the account from the settlement of claims on defaulted guaranteed loans that resulted in loans receivable to be applied to the reduction of the loans receivable outstanding. Exclude any premium realized. (This entry will only be used in liquidating accounts and guaranteed loan financing accounts.)
2361 Write-offs of loans receivable (–)	Amount of loans receivable written-off for default that were initiated as guaranteed loans but were subsequently acquired as loans receivable. (Refer to the definitions for write-offs provided in OMB Circular No. A–129.) (This entry will only be used in liquidating accounts and guaranteed loan financing accounts.)
2364 Other adjustments, net (+ or –)	Amount of loans receivable reduced or increased for reasons other than those covered by the lines listed above. When this line is used, the nature of the adjustment must be explained in a footnote.
2390 Outstanding, end of year	Amount of defaulted guaranteed loans that resulted in loans receivable outstanding at the end of the year. The sum of lines 2310 through 2364.

33.8. Non-print credit data.

Non-print data will be furnished in MAX schedules G and H for policy estimates and in MAX schedule Y for the baseline, as explained below.

(a) **Agency debt held by the FFB.**—Policy data on debt owed to the FFB must be reported in the 3300 data line series by all liquidating accounts and by programs that are not covered by the Federal Credit Reform Act, such as the Tennessee Valley Authority and Resolution Trust Corporation. This series of lines includes start of year balances, new borrowing, repayments, and end of year balances.

Policy estimates (PY through BY+4) will be submitted for the 3300 data line series in MAX schedule G. No baseline estimates are required.

Prior to enactment of the Gramm-Rudman-Hollings Act, when the FFB was off-budget, it had three types of transactions. With the enactment of the Gramm-Rudman-Hollings law, the distinctions disappeared for budgetary purposes. Now, all FFB transactions are treated as means of financing to the agencies. In order to track old and new trans-

actions, the lines should be coded with a two-digit suffix as follows, to identify the transactions:

- .01 FFB loan originations;
- .02 Sale of loan assets to the FFB; and
- .03 Sale of debt securities to the FFB.

(b) **Net financing disbursements (for financing accounts only).**—Agencies will report net financing disbursements for financing accounts. “Net financing disbursements” correspond to “net outlays” reported on line 90.00 in MAX schedule P of the program account. Rather than total outlays (gross) less total offsetting collections, net financing disbursements consist of total financing disbursements (gross) less total offsetting collections in the financing account. In PY–BY, these amounts should equal the amount reported on line 90.00 in MAX schedule P of the financing account. These data are needed to estimate Federal borrowing and interest on the public debt.

Policy estimates (PY through BY+4) will be submitted for the 6300 data line in MAX schedule G or H and baseline estimates will be submitted in MAX schedule Y.

NON-PRINT DATA REQUIREMENTS FOR MAX SCHEDULES G, H, AND Y

Entry	Description
These data should be provided for PY through BY+4 in MAX schedule G	
Agency debt held by the FFB:	
3310 Outstanding agency debt, start of year	Amount of agency debt issues held by FFB at the beginning of the year.
3330 New agency borrowing	Amount of new borrowing from FFB.
3350 Repayments and prepayments (–)	Amount of repayments made to FFB.
3390 Outstanding agency debt, end of year	Amount of agency debt issues held by FFB at the end of the year. The sum of lines 3310, 3330, and 3350.

NON-PRINT DATA REQUIREMENTS FOR MAX SCHEDULES G, H, AND Y—Continued

Entry	Description
These data should be provided for PY through BY+4 in MAX schedules G, H, and Y FINANCING ACCOUNTS ONLY	
6300 Net financing disbursements	Analogous to net outlays in budgetary accounts reported on line 90.00 of the program and financing schedule.

33.9. Program account data (MAX Schedule U).

A summary schedule of loan levels, subsidy budget authority, subsidy rate, and subsidy outlay will be prepared for each program account. Applicable entries and line codes shown in the table below will be used.

These data will be displayed by program or by program and risk category. The titles of the stub entries can be tailored to identify the program to which the loan level, subsidy rate, budget authority, outlays, and major subsidy assumptions belong. The data on loan levels, subsidy budget authority, and subsidy rate for each fiscal year will refer to the cohort for that fiscal year. The data on outlays

for each fiscal year will refer to the subsidy outlays for the entire program or risk category in that fiscal year, whether the loans were obligated or committed in that year or prior years, and reestimates. Consequently, data on subsidy outlays will not equal the amount of subsidy outlays that could be calculated using the data on loan levels and subsidy rates.

In addition, data on budget authority and outlays for administrative expenses will be provided for PY through BY as part of MAX schedule U. Although no outyear subsidy data will be centrally collected in the MAX database, agencies may be expected to provide outyear subsidy data upon request of their OMB representative. Line numbers in boldface normally will be generated automatically.

DATA REQUIREMENTS FOR MAX SCHEDULE U

Entry	Description
Direct loan levels supportable by subsidy budget authority:	
1150 Direct loan levels <i>Report by cohort.</i>	Equals the amount of direct loans that can be obligated with the amount of new subsidy budget authority requested or provided in that year. Do not include proceeds from asset sales. Do not report the unused portion of multi-year loan limitations that are carried forward. In the CY and PY, loan levels do not have to equal enacted loan limitations, as Congress may enact limitations that are not achievable with the subsidy budget authority provided. However, in the BY, loan levels supportable by the subsidy requested must equal the direct loan limitation. <i>For discretionary programs, direct loan limitations are also reported in MAX schedule A in program accounts on line 7007, and in MAX schedule G in direct loan financing accounts on line 1111.</i> For mandatory programs, only line 1131 in MAX schedule G in the financing account is required. These data are required even if the subsidy rate is zero or negative.
1159 Total direct loan levels	The sum of all lines 1150.
Direct loan subsidy (in percent):	
1320 Subsidy rate <i>Report by cohort.</i>	The 1320 data line series presents data in percentages on the subsidy costs inherent in making a cohort of direct loans. In the PY column, the rate should be the reestimated subsidy (see 33.10(e)). In the CY column use the budget execution rate (see 33.10(b)). Note that the subsidy rate (in percent) must be rounded to the nearest hundredth of one percent and entered into MAX without decimal points. For example, 50.503 be entered as 5050, 5.05 percent as 505, and 0.5 percent as 50. Amounts should be shown, even if zero or negative.
1329 Weighted average subsidy rate <i>Report by cohort.</i>	The disbursement weighted average sum of all lines 1320 above. For non-zero transmittal codes, this is the change to the subsidy rates reported under transmittal code zero, not the new rates.
Direct loan subsidy:	
1330 Subsidy budget authority <i>Report by cohort.</i>	The 1330 data line series presents data in dollars on the subsidy costs inherent in making direct loans. In the PY column, the amount will include last year's reestimates of the subsidy. In the CY column, the amount will equal the amount appropriated for subsidies. It will not include unobligated balances eligible to be carried forward. The BY column will show the requested subsidy amount and must agree with amounts in appropriations language. Report even if the subsidy is negative.
1339 Total subsidy budget authority	The sum of all lines 1330 above.
Direct loan subsidy outlays:	
1340 Subsidy outlays <i>Report for all cohorts.</i>	The 1340 data line series presents data on the amount of subsidy disbursed in a given year. An outlay will be recorded in the program account at the time of disbursement of the loan to the borrower. Both outlays from new budget authority and outlays from balances are reported on this line. These amounts should equal line 88.00 (offsetting collections (cash) from Federal sources) in MAX schedule P of the financing account. Include reestimates in the PY. Report even if the subsidy is negative.

DATA REQUIREMENTS FOR MAX SCHEDULE U—Continued

Entry	Description
1349 Total subsidy outlays	The sum of all lines 1340 above.
Guaranteed loan levels supportable by subsidy budget authority:	
2150 Loan guarantee levels <i>Report by cohort.</i>	Equals the full principal amount, not just the portion guaranteed by the Government, of guaranteed loans that can be committed with the amount of new subsidy budget authority requested or provided in that year. Do not include proceeds from asset sales. Do not report the unused portion of multi-year loan guarantee limitations that are carried forward. In the PY and CY, loan levels do not have to equal enacted loan guarantee limitations, as Congress may enact limitations that are not achievable with the subsidy budget authority provided. However, in the BY, loan levels supportable by the subsidy must equal the guaranteed loan limitation. For discretionary programs, guaranteed loan limitations are also reported in MAX schedule A in program accounts on line 7008, and in MAX schedule H in guaranteed loan financing accounts on line 2111. For mandatory programs, only line 2131 in MAX schedule H in the financing account is required. These data are required even if the subsidy rate is zero or negative.
2159 Total loan guarantee levels	The sum of all lines 2150.
Guaranteed loan subsidy (in percent):	
2320 Subsidy rate <i>Report by cohort.</i>	The 2320 data line series presents data on the subsidy costs inherent in making a cohort of guaranteed loans. In the PY, the rate should be the reestimated subsidy (see 33.10(e)). In the CY column use the budget execution rate (see 33.10(b)). Note that the subsidy rate (in percent) must be rounded to the nearest hundredth of one percent and entered into MAX without decimal points. For example, 50.503 percent will be entered as 5050, 5.05 percent as 505, and 0.5 percent as 50. Amounts should be shown, even if zero or negative.
2329 Weighted average subsidy rate <i>Report by cohort.</i>	The disbursement weighted average sum of all lines 2320 above. For non-zero transmittal codes, this is the change to the subsidy rates reported under transmittal code zero, not the new rates.
Guaranteed loan subsidy:	
2330 Subsidy budget authority <i>Report by cohort.</i>	The 2330 data line series presents data in dollars on the subsidy costs inherent in making a cohort of guaranteed loans. In the PY column, the amount will include last year's reestimates of the subsidy. In the CY column, the amount will equal the amount appropriated for subsidies. It will not include unobligated balances eligible to be carried forward. The BY column will show the requested subsidy amount and must agree with amounts in appropriations language. Report even if the subsidy is zero or negative.
2339 Total subsidy budget authority	The sum of all lines 2330 above.
Guaranteed loan subsidy outlays:	
2340 Subsidy outlays <i>Report for all cohorts.</i>	The 2340 data line series presents data on the amount of subsidy disbursed in a given year. An outlay will be recorded in the program account at the time the lender disburses the loan to the borrower. Both outlays from new budget authority and outlays from balances are reported on this line. These amounts should equal line 88.00 (offsetting collections (cash) from Federal sources) in MAX schedule P of the financing account. Include reestimates in the PY. Report even if the subsidy is negative.
2349 Total subsidy outlays	The sum of all lines 2340 above.
Administrative expense data:	
3510 Budget authority	Budget authority provided or requested for administrative expenses for both direct and guaranteed loan programs.
3580 Outlays from balances	Outlays for administrative expenses from prior year obligated balances.
3590 Outlays from new authority	Outlays for administrative expenses from new budget authority.

33.10. Estimating the subsidy.

(a) **General.**—Subsidy estimates for both Presidential policy and the baseline are required for all budget accounts that have post-1991 direct loan obligations or loan guarantee commitments, or that have modifications of pre-1992 direct loan or loan guarantee contracts. The subsidy estimates must be made for each risk category.

The OMB credit subsidy model will be used to calculate all subsidy estimates based on agency-generated estimates of cash flows to and from the Government. The OMB credit subsidy model and User's Guide provide an explanation and example of how the subsidy is calculated. These can be

obtained from the OMB representative with primary budget responsibility for the credit account.

Direct loan and loan guarantee subsidy costs are defined in sections 33.4(f) and 33.4(m). The subsidy cost is the estimated long-term cost to the Government of direct loans or loan guarantees calculated on a net present value basis, excluding administrative costs. For budget formulation (and execution), subsidy estimates are to be based on the economic and technical assumptions underlying the President's budget that is submitted for the fiscal year in which the funds will be obligated. For CY, this means using the economic and technical assumptions underlying the BY subsidy estimates contained in the President's budget for the previous

year (adjusted for changes in terms of the contract or legislation enacted since the budget was transmitted; see Circular No. A-34). For BY through BY+4, this means using the economic and technical assumptions in the President's budget that will be submitted for BY.

The discount rate used to calculate the present value is the average interest rate (yield) on marketable Treasury securities of similar maturity to the direct loans or guaranteed loans for which the subsidy cost is being estimated. "Similar maturity" means the contractual term of the loan to maturity, measured in years. The discount rate assumptions for the budget are specified by maturity intervals. All cash flows resulting from a loan disbursement in a cohort will be discounted using the same discount rate, regardless of whether the loan disbursement is made in the budget year or in subsequent years. This rate will also be used in estimating cash flows that are affected by the interest rate.

(b) Presidential policy subsidy estimates.—For all programs (discretionary and mandatory), separate subsidy estimates will be made for each year, CY through BY+4. The steps for calculating the presidential policy estimates of subsidy budget authority and outlays (including negative subsidies) for a cohort (or risk category) of direct loans and loan guarantees are as follows:

(1) For each year, estimate the cash flows to and from the Government for the cohort of direct loans or loan guarantees obligated or committed in that year. Discount these cash flows to the point of loan disbursement using the discount rate described above. The difference between the present value of the cash outflows and inflows is the total subsidy (i.e., the subsidy cost) for the obligations or commitments made in that year.

(2) Calculate the subsidy rate for the cohort by dividing the subsidy cost by the direct loan obligations or loan guarantee commitments made in that year. For this purpose, the loan guarantee commitment is the full principal amount, not just the portion guaranteed by the Government.

(3) Multiply the subsidy rate by the direct loan obligations or loan guarantee commitments to calculate budget authority (or offsetting receipts, in the case of negative subsidies) for the subsidy cost.

(4) Subsidy outlays for each fiscal year are equal to the subsidy cost for all loans disbursed in that year, whether the loans or guarantees were obligated or committed in that year or in prior years.

(c) Baseline subsidy estimates.—The steps for calculating the baseline estimates of subsidy budget authority and outlays (including negative subsidies) for a cohort (or risk category) of direct loans and loan guarantees are as follows:

(1) For *discretionary programs*, inflate the subsidy budget authority enacted for CY (the base year) to calculate the subsidy budget authority for BY through BY+4. The inflator is the annual adjustment factor for non-pay costs (the gross domestic product chain-type price index) provided in the economic assumptions for the President's budget that will be submitted for BY.

(2) For *mandatory programs*, first calculate the subsidy rate as described above under "presidential policy estimates," excluding the effects of any legislative proposals. Then multiply the subsidy rate by the baseline estimate of demand for loans to calculate the subsidy BA.

(3) For any programs with *negative subsidies*, first calculate the subsidy rate as described above under "presidential policy estimates," excluding the effects of any legislative proposals. Then multiply the subsidy rate by the baseline estimate of demand for loans, constrained by the estimated limitation, to calculate the amount of offsetting receipts. The limitation should be estimated by inflating the CY enacted limitation using the annual adjustment factor for non-pay costs (the gross domestic product chain-type price index) provided in the economic assumptions for the President's budget that will be submitted for BY.

(4) Subsidy outlays for each fiscal year are equal to the subsidy cost for all loans disbursed in that year, whether the loans or guarantees were obligated or committed in that year or in prior years.

(d) Modifications.—When a direct loan or loan guarantee is modified, directly or indirectly, the subsidy cost of the modification must be calculated. When a post-1991 direct loan or loan guarantee is modified, a modification adjustment transfer between the financing account and the general fund must also be calculated. The budgetary treatment of these two amounts is explained in section 33.11. The calculations are explained below.

The subsidy cost of the modification is the difference between the estimate of the net present value of the remaining cash flows assumed for the direct loan or loan guarantee contract before and after the modification. The estimate of remaining cash flows before modification must be the same as assumed in the baseline for the most recent

President's budget. The estimate of remaining cash flows after modification must be the pre-modification cash flows adjusted solely to reflect the effects of the modification.

The subsidy cost is calculated as follows (where cash flows to the Government have negative signs and cash flows from the Government have positive signs):

(1) Estimate the remaining cash flows expected just before the modification under the loan contract terms assumed in the baseline of the most recent budget submitted to Congress. These estimates must assume the same deviations (defaults, delinquencies, etc.) from contract terms as assumed for the risk category in which the loan is classified.

(2) Discount the cash flows estimated in step 1 to the time of the modification using the discount assumed in the economic assumptions for the most recent budget submitted to Congress. The discount rate should be the interest rate on marketable Treasury securities of similar maturity to the remaining years to maturity (not the original maturity) of the loan that is being modified (but prior to any modification of the term of the loan).

(3) Estimate the cash flows expected under the modified contract terms. For cash flows unaffected by the modified contract terms, these estimates must assume the same deviations (defaults, delinquencies, etc.) from contract terms as assumed for the risk category in which the loan is classified.

(4) Discount the cash flows estimated in step 3 to the time of the modification using the same discount rate that is used in step 2. If a loan asset is sold, the amount in this step equals the net proceeds from the sale.

(5) Subtract the amount calculated in step 2 from the amount calculated in step 4 to produce the estimated subsidy cost resulting from the modification.

The results of this calculation will be positive, negative, or zero. A positive estimate would indicate that the Government will incur an additional subsidy cost because of the modification. A negative estimate would indicate that the Government is achieving some savings. A zero estimate would indicate that the modification will not change the subsidy cost.

The *modification adjustment transfer* adjusts for the disconnect between the interest rate used to calculate the cost of the modification and the interest rate at which the cohort pays or earns interest. It is the difference between the present value of the estimated change in cash flows due to the

modification, calculated using the discount rate applicable when the direct loan or loan guarantee is modified, and the present value of the estimated change in cash flows due to the modification, calculated using the discount rate applicable when the direct loan or guaranteed loan was disbursed. Specifically, it is calculated in the following steps:

(6) Take the difference in cash flows due to the modification. This is the amount calculated in step 1 above minus the amount calculated in step 3 above.

(7) Calculate the present value of this difference using the interest rate at which the cohort pays or earns interest.

(8) Subtract the step 5 amount from the step 7 amount. This difference is the modification adjustment transfer.

(e) Reestimates.—

(1) **General.**—Reestimates of subsidies are made on direct loans and loan guarantees that have been disbursed. They are recorded in the current year column of the budget. (For example, the subsidy for direct or guaranteed loans disbursed during 1998 would be reestimated during 1999 and would be recorded in the 1999 column of the FY 2000 Budget.) A closing reestimate should be made once all the loans in the cohort have been repaid or written off.

Two different types of reestimates will be made:

- for differences between interest rate assumptions at the time of formulation (the same assumption is used at the time of obligation or commitment) and actual interest rate(s) for the year(s) of disbursement (see (2) below); and
- for changes in technical/default assumptions (see (3) below).

Interest rate reestimates of the subsidy cost of a cohort of direct loans or loan guarantees must be made when a cohort has substantially disbursed (i.e., when 90 percent of the direct loans or guaranteed loans have been disbursed). The computation should be made at the beginning of the year after this criterion is met, unless a later time within the same fiscal year is approved by the OMB representative with primary budget responsibility for the credit account. Agencies may calculate interest rate reestimates more frequently than under this requirement, including a final interest rate reestimate when the cohort has fully disbursed. If agencies would like to do so, they should consult with the OMB representative with primary responsibility for the account.

Technical/default reestimates of the subsidy cost of a cohort of direct loans or loan guarantees must be made at the beginning of every year as long as the loans are outstanding, unless a different plan is approved by the OMB representative with primary budget responsibility for the credit account. The different plan might be with regard to the time when reestimates are made within the year or the frequency of reestimates. If the plan allows reestimates to be made less frequently than every year, it should require reestimates to be made for any year when any one of the following four conditions is met:

(1) Based on periodic schedules established in coordination with OMB, consistent with the unique attributes of each program (e.g., initially every two years after the cohort has been substantially disbursed, then every five years).

(2) When a major change in actual versus projected activity is detected (e.g., a large loan goes into default or prepays substantially earlier than expected).

(3) When a material difference is detected through monitoring triggers developed in coordination with OMB. The triggers would focus on major data elements (e.g., total projected versus total actual cohort collections) rather than in-depth individual cohort analysis. Agencies should focus on a few major loan elements recognizing there are different key elements applicable to each program and different reporting problems.

(4) When a cohort is being closed out.

Annual reestimates that are both less than \$1 million and five percent or less of the pre-reestimate subsidy value currently recorded for that cohort may be skipped and included with the reestimate for a subsequent period. The subsequent reestimate for that cohort would cover cumulatively the entire period since the previous published reestimate.

Reestimates must be made separately for each cohort. If a cohort is divided into risk categories, each risk category within a cohort must be reestimated separately. The reestimate will then be compared with the previous estimate. For this purpose, all details of the previous subsidy estimates by risk category should be retained in program records.

All increases or decreases in subsidy cost for different risk categories within the same cohort will be netted against each other; that is, risk categories which require increased subsidies may first draw on the excess from any risk categories within the cohort where the reestimate shows a

subsidy decrease. No such netting may occur between cohorts.

If the reestimate indicates a net increase in the subsidy cost of the cohort as a whole since the last estimate or reestimate, an obligation in the amount of the net increase (including interest) must be recorded against permanent indefinite budget authority available to the program account for this purpose. The obligation must be recorded separately in the program and financing schedule as “reestimates of direct loan subsidy” or as “reestimates of loan guarantee subsidy” (and as “interest on reestimates of direct loan subsidy” or as “interest on reestimates of guaranteed loan subsidy”), so that it can be distinguished from obligations for the subsidy cost of new loans and loan guarantees. An equal amount of outlays from the program account to the financing account will be recorded when the reestimate is made. The interest rate to calculate the interest on upward reestimates is the same rate that is used to discount cash flows for the cohort.

When outlays for reestimates are recorded in the credit program account, an equal amount of offsetting collections will be recorded in the appropriate risk categories in the financing account. In the case of direct loans, the offsetting collections from the program account, together with repayments from borrowers, will be used to pay interest and repay principal on borrowing from Treasury and for other expenses. In the case of loan guarantees, the offsetting collections will be retained as unobligated balances, together with the unobligated balances of the original subsidy payment, fees, and interest, until needed to pay default claims and other expenses. Any unused balances of collections due to the reestimate will earn interest at the same rate as is paid on other funds held by the financing account for the same cohort.

If the reestimate indicates a net decrease in the subsidy cost of the cohort as a whole since the last estimate or reestimate, there is a downward reestimate. To keep the correct amount of balances in the financing account, an obligation and a financing disbursement in the amount of the net decrease (including interest on the reestimate) must be recorded in the financing account. In the case of direct loans, the obligation will be financed with authority to borrow from the Treasury. In the case of loan guarantees, the obligation will be financed with unobligated balances. The obligation will be recorded in the program and financing

schedule as “payment of downward reestimates” (and as “interest on downward reestimates”). The interest rate to calculate the interest on downward reestimates is the same rate that is used to discount cash flows for the cohort.

As a general rule, the financing disbursement for a downward reestimate (including interest on the reestimate) will be made from the financing account to a general fund receipt account (a negative subsidy account) established for each credit program. The receipts will be recorded as offsetting receipts, which will offset the total budget authority and outlays of the agency and the budget subfunction of the program.

At the discretion of the OMB representative with primary responsibility for the program, a special fund receipt account may instead be established. For mandatory programs, negative subsidies and downward reestimates (and interest on reestimates) may be credited directly to the program account as offsetting collections.

If a special fund receipt account is used for the credit program and already exists, the downward reestimates and interest on reestimates will be recorded in a subaccount rather than a new special fund receipt account. MAX schedule N is required for these special funds (see section 36.6). When a special fund receipt account is used, the receipts from downward reestimates and interest on reestimates, like those from negative subsidies, are only available for obligation to the extent provided in advance in appropriations acts (except for mandatory programs, where they are immediately available for obligation). The normal provisions still apply: current appropriations are required for discretionary subsidy costs, modifications, and administrative costs; permanent appropriations are available for upward reestimates and mandatory programs.

If the disbursement of reestimates and interest on reestimates is made directly from the financing account to the program account in a mandatory program, it is immediately available for obligation.

(2) **An interest rate reestimate** will be made to adjust the subsidy estimate for the difference between the interest rate estimated at the time of formulation (the same assumption is used at the time of obligation or commitment) and the actual weighted average annual interest rate(s) prevailing during the year(s) of disbursement. This reestimate is made when 90 percent of a cohort has disbursed. To calculate the size of this effect, all other assumptions (disbursement rates, default rates,

etc.) must be identical to those used to calculate the original subsidy estimate. Agencies may calculate interest rate reestimates more frequently than under this requirement, including a final interest rate reestimate when the cohort has fully disbursed. Agencies that would like to do so should consult with the OMB representative with primary responsibility for the account.

For those programs with variable interest rate supplements to the lender or with variable interest rates charged to the borrower, the original cash flow projections are adjusted to incorporate the actual weighted average annual interest rate(s) prevailing during the year(s) of disbursement and are subsequently adjusted after the end of each year so long as the loans are outstanding.

Procedure for calculating the interest rate reestimate. The following procedures should be used to calculate interest reestimates, unless an alternative method has been approved by OMB.

(a) Start with the original cash flows used to estimate the subsidy at obligation (on a risk category basis).

(b) Reestimate the subsidy rate. For programs that disburse fully in one year, use the actual average annual interest rate for the year in which the loans were disbursed. For programs that disburse over more than one year, calculate a weighted average discount rate based on actual annual interest rates for each year in which loans have disbursed and the original disbursement assumptions. Use this discount rate to calculate a revised subsidy rate for the entire cohort.

(c) Calculate the percentage point difference between this revised subsidy rate and the subsidy rate estimated at the time of obligation.

(d) Multiply the dollar value of actual loan disbursements to date by the percentage point difference in the subsidy rates. The product is the interest rate reestimate.

The instructions accompanying the OMB subsidy reestimate worksheet provide additional instructions for estimating interest rate reestimates.

(3) **Technical/default reestimates** will be made for all changes in assumptions other than interest rates. This type of reestimate will compare the subsidy estimate that already includes any reestimate for actual interest rates with a reestimated subsidy using updated technical information (for defaults, fees, recoveries, etc.) as well as actual interest rates.

The purpose of technical/default reestimates is to adjust the subsidy estimate for differences between

the original projection of cash flows (as estimated at obligation) and the amount and timing of cash flows that are expected based on actual experience, new forecasts about future economic conditions, and other events and improvements in the methods used to estimate future cash flows. Because actual cash flows are experienced every year and the ability to forecast future years also changes, this reestimate must be done after the end of every fiscal year as long as any loans are outstanding (except as provided above).

Procedure for calculating the reestimate for changes in technical/default assumptions. The following procedures should be used to calculate technical/default reestimates, unless an alternative method has been approved by OMB.

(a) Reestimate the subsidy percentage for each risk category based on actual cash flows to the date of reestimate and updated expectations of delinquencies, defaults, fees, recoveries, and other technical conditions (using the same interest rates used for the latest interest rate reestimate, if applicable).

(b) Calculate the percentage point difference between this revised subsidy rate and the subsidy rate used at the time of obligation, or, if applicable, the revised subsidy rate calculated in the most recent interest rate reestimate.

(c) Multiply the dollar value of actual loan disbursements to date by the percentage point difference in subsidy rates that was calculated in (b). The product is the technical/default reestimate.

The amount calculated in (c) is the cumulative technical/default reestimate. Previous technical/default reestimates will be deducted to derive the additional subsidy reestimate for the current year (see (4) below).

The instructions accompanying the OMB subsidy reestimate worksheet provide additional instructions for estimating technical/default reestimates.

(4) The total reestimate is the sum of the interest rate reestimate, if any, and the additional technical/default reestimate for the current year.

Procedure for calculating the total reestimate:

(a) Add the cumulative interest rate reestimate and the cumulative technical/default reestimate calculated in (2) and (3) above.

(b) Subtract all reestimates (excluding interest on reestimates) that have been recorded in previous budgets and outlays which have been apportioned for credit modifications, as defined by Section 33.4(n).

This remainder is the total reestimate for the current year.

(5) Interest on reestimates is the amount of interest that would have been earned by each cohort on the total reestimate, if it had been included as part of the original subsidy estimate. The interest rate to calculate the interest on reestimates is the same rate that is used to discount cash flows for the cohort. This estimate is calculated automatically by the OMB subsidy reestimate worksheet.

Procedure for calculating interest on reestimates:

(a) Calculate the percentage point difference between the technical/default reestimated subsidy rate and the original subsidy rate used at the time of obligation.

(b) For each year in which loans were disbursed, multiply the dollar value of actual loan disbursements by the percentage points difference calculated in step (a). These amounts are the total subsidy reestimates for each year.

(c) Calculate the weighted average disbursement interest rate for the cohort. For each year in which loans were disbursed, multiply the dollar value of actual loan disbursements by the annual interest rate for that year. Add the results. Divide this amount by total loan disbursements to date. The resulting rate is used to calculate interest payments or interest earnings for the cohort.

(d) Calculate interest earnings or payments (including interest on interest) for each of the annual amounts calculated in step (b), using the weighted average disbursement interest rate calculated in step (c). In general, assume that the subsidy reestimates would have been disbursed in equal amounts throughout the year, so calculate interest on only half the reestimate in the year it would have been disbursed. This calculation produces the interest on reestimates for each year of disbursements.

(e) Add the interest on reestimates for each year of disbursement. This is the interest on reestimates. These amounts will be recorded in the same way as the total subsidy reestimates (see (1) above), except that they will be recorded as "interest on reestimates of direct loan subsidy" or as "interest on reestimates of loan guarantee subsidy."

(6) Closing reestimates. Agencies will make a closing technical/default reestimate once all of the loans in a cohort have been either repaid or written off. This reestimate will be based on actual accounting systems data and is to close the accounting books for the cohort. All the procedures are applied

that are described above for the technical/default reestimate and interest on reestimates. Closing entries will be made in the accounting records.

The increases or decreases in subsidy cost for different risk categories within the same cohort will be netted against each other; that is, risk categories which require increased subsidies may first draw on the excess from any risk categories within the cohort where the reestimate shows a subsidy decrease. No such netting may occur between cohorts.

33.11. Budgetary treatment of modifications.

Modifications are defined in section 33.4(n), and the calculations of the subsidy cost and modification adjustment transfers are explained in section 33.10(d). The subsidy cost calculation will indicate whether the Government action changes the subsidy cost. If there is no change in cost, there will be no budgetary effect, and nothing needs to be recorded in the budget. If the modification will increase or decrease the cost, the budgetary effect must be recorded as described under *Modification cost increases/decreases* below. Additional transfers to or from the financing account will be required, depending on whether the modification affects pre-1992 or post-1991 direct loans and loan guarantees. These additional transfers are described in separate subsections below. These requirements apply to all modifications, both to pre-1992 and to post-1991 direct loans (or direct loan obligations) and loan guarantees (or loan guarantee commitments).

(a) Modification cost increases/decreases.—The following requirements pertain to the modification of any direct loan or loan guarantee that results in an increase or decrease in cost.

(1) Cost increases.—Modifications may be made only to the extent that budget authority for the additional cost has been provided in advance in an appropriations act and is available in the program account. At the time that a modification is made, an obligation in the amount of the estimated increase in subsidy cost will be recorded against budget authority in the program account. At the same time, an outlay in the amount of the increase in the subsidy cost will be made from the program account to the appropriate direct loan or guaranteed loan financing account. Simultaneously, an equal amount of offsetting collections will be recorded in the financing account (line 88.00).

In the case of *direct loans*, the offsetting collections in the financing account will be credited to the

cohort and risk category of the modified loan and will be used to pay interest and to repay debt owed to Treasury and for other expenses. In the case of *loan guarantees*, the offsetting collections will be credited to the cohort and risk category of the modified loan guarantee and will be retained as unobligated balances until needed to pay default claims and other expenses. The additional balances due to the modification will earn interest at the same rate as is paid on other funds held by the financing account for the same cohort.

(2) Cost decreases.—At the time that a modification is made, an obligation in the amount of the estimated decrease in subsidy cost will be recorded in the financing account. In the case of a direct loan modification, the obligation will be recorded against authority to borrow from the Treasury. In the case of a loan guarantee, the obligation will be recorded against unobligated balances for the cohort, or if unobligated balances are insufficient, against authority to borrow. At the same time, the financing account will record an equal disbursement to the negative subsidy receipt account established for each credit program.

(b) Additional financing account transfers for modifications of post-1991 direct loans and loan guarantees.—When a post-1991 direct loan or loan guarantee is modified, a modification adjustment transfer must be made between the financing account and the general fund. This transfer is in addition to the transactions described above.

The purpose of the transfer is to resolve the disconnect between the interest rate used to calculate the cost of the modification and the interest rate at which the cohort pays or earns interest. The discount rate used to calculate the cost of the modification is the interest rate in the economic assumptions for the most recent President's budget when the direct loan or loan guarantee is modified. In contrast, the cohort borrows or earns interest at the rate applicable when the direct loan or guaranteed loan was disbursed. Therefore, if the only transfer made between the financing account and the general fund was for the change in the subsidy cost, the resources of the financing account would be out of balance. Either it would have too much or too little resources to pay its claims to the public or repay its debt to the Treasury.

This imbalance is eliminated by a modification adjustment transfer between the financing account and the general fund. The transfer is not an outlay or an offsetting collection, because it does

not represent a cost to the Government of the loan or the guarantee. Instead, it is a facilitating adjustment that makes the present value of the assets and liabilities held by the financing account come out even.

The effects of the modification adjustment transfer on the program and financing schedule of a financing account are summarized below. They distinguish between a loan guarantee and a direct loan, and between which present value of the modified cash flow is higher—the estimate using the current discount rate (i.e., the discount rate in the economic assumptions for the most recent President's budget when the direct loan or loan guarantee is modified) or using the original discount rate (i.e., the discount rate when the direct or guaranteed loan was disbursed). Depending on which present value is higher, the transfer is made from the general fund to the financing account or from the financing account to the general fund.

If the cost of the modification is more when calculated at the current discount rate than at the original discount rate, the financing account would be over compensated by the subsidy payment for the modification. Therefore, the financing account makes a modification adjustment transfer to the general fund. This transfer is recorded on line 68.27, "Capital transfer to general fund." The transfer produces the accompanying transactions with Treasury:

- If a loan guarantee is modified, the financing account's offsetting collection for the modification cost increases the unobligated balance (line 24.40). The capital transfer to the general fund reduces the amount by which the unobligated balance is increased. (The amount of the increase shown on line 24.40 is net of the capital transfer). Subsequent interest earnings on the addition to the balance is lower than it would have been without the capital transfer.
- If a direct loan is modified, the financing account's offsetting collection for the modification cost is used to reduce debt owed to Treasury (line 68.47, "Portion applied to debt reduction"). The capital transfer reduces the amount by which the debt is reduced. (The amount of the increase shown on line 68.47 is net of the capital transfer.) Subsequent interest paid to Treasury is higher than it would have been without the capital transfer.
- The general fund will collect the modification adjustment transfer in a non-budgetary capital transfer receipt account. There will be one

receipt account to collect the modification adjustment transfers from all financing accounts.

If the cost of the modification is less when calculated at the current discount rate than at the original discount rate, the financing account would be under compensated by the subsidy payment for the modification. Therefore, the financing account receives a modification adjustment transfer from the general fund, which is recorded in the financing account as a permanent indefinite appropriation (line 60.05, "Appropriation (indefinite)"). This transfer produces the accompanying transactions with Treasury:

- If a loan guarantee is modified, the financing account's offsetting collection for the modification cost increases the unobligated balance (line 24.40). The modification adjustment transfer also increases the unobligated balance (line 24.40). Subsequent interest on uninvested funds is higher than it would have been without the modification adjustment transfer.
- If a direct loan is modified, the offsetting collection for the modification cost is used to reduce debt owed to Treasury (line 68.47, "Portion applied to debt reduction"). The modification adjustment transfer is also used to reduce debt owed to Treasury (line 60.47, "Portion applied to debt reduction"). Subsequent interest paid to Treasury is lower than it would have been without the modification adjustment transfer.

(c) Additional financing account transfers for modifications of pre-1992 direct loans and loan guarantees.—These direct loans and loan guarantees are held in liquidating accounts unless they are modified. When they are modified, the cost of the modification is estimated and accounted for in the same way as modifications of post-1991 loans. In addition, there are transactions between the liquidating account and the financing account that must be recorded. The transactions differ depending on whether the direct loan asset or the loan guarantee liability is transferred from the liquidating account to the financing account or continues to be held by the liquidating account.

(1) Transfer of asset or liability to financing account.—This approach should be used, unless the OMB representative for the credit program approves using the alternative approach (described in (2) below).

At the time of the modification, the direct loan asset or loan guarantee liability will be transferred from the liquidating account to the financing account,

and a one-time adjusting payment will be made between the two accounts. The adjusting payment will equal the estimated net present value of the Government's remaining cash flows expected just before the modification under the terms assumed in the baseline of the most recent budget submitted to Congress. The discount rate will be the interest rate on marketable Treasury securities of similar maturity to the loan, as assumed in the most recent budget submitted to Congress. This amount is the result of the first two steps in estimating the subsidy cost of the modification, described in section 33.10(d).

In the case of a direct loan modification, the adjusting payment will be made from the financing account to the liquidating account. The financing account, in effect, buys the loan from the liquidating account. An obligation and a disbursement will be recorded in the financing account in the amount of the payment when it is made. The obligation will be recorded on line 08.02 in the financing account program and financing schedule. The financing account will use its collection of the subsidy payment from the program account plus borrowing from Treasury to make the adjusting payment. The interest rate on the amount borrowed from Treasury will be the same as the rate used to calculate the present value of cash flows under the modified contract. Collections from the direct loan assets over their remaining life will be credited to the financing account and used to pay interest and repay debt owed to Treasury. The liquidating account will record offsetting collections equal to the adjusting payment, which it will use to repay debt owed to Treasury or transfer to the general fund as a capital transfer.

In the case of a loan guarantee modification, the adjusting payment will be made from the liquidating account to the financing account. The liquidating account, in effect, pays the financing account to assume the loan guarantee liability. Unobligated balances and permanent, indefinite appropriations to the liquidating account will be used to make the payment. Outlays will be recorded in the liquidating account in the amount of the payment when it is made. The financing account will record an equal amount of offsetting collections. These collections will be combined with the collection of the subsidy payment from the program account and retained in the financing account as a reserve to pay default claims and other expenses. The balances will constitute a cohort, earning interest

at the same rate that is used to calculate the present value of cash flows under the modified contract.

(2) Asset retained by liquidating account.—Subject to the approval of the OMB representative for the credit program, this method can be used if a modification affects a large number of direct loans or loan guarantees and it would be less complicated for the liquidating account to retain the assets or liabilities.

In the case of a modification that increases subsidy cost, the liquidating account will collect less from the public over time if a direct loan has been modified and will pay more to the public if a loan guarantee has been modified. The financing account will collect a subsidy payment from the program account equal to the present value of the change in cash flows to the Government. The financing account will obligate and disburse the same amount to the liquidating account to compensate it for the increased liability. The liquidating account will record offsetting collections, which it will use to pay current obligations or to repay debt. Any excess at the end of the year will be transferred to the general fund. Since the program account's outlays for the subsidy payment will exactly equal the liquidating account's collections from the financing account, there will be no net change in the surplus or deficit for that year.

In the case of modifications that decrease subsidy cost, the liquidating account will collect more from the public over time if a direct loan has been modified or pay less to the public if a loan guarantee has been modified. The liquidating account will use permanent, indefinite authority to make a payment to the financing account equal to the present value of the change in cash flows in the liquidating account. The financing account will record offsetting collections, which it will pay to the negative subsidy receipt account for the credit program. Since the payment by the liquidating account and the negative subsidy receipts will be equal, there will be no net change in the surplus or deficit for that year.

(d) Single cohort for modifications of pre-1992 loans.—All modifications of pre-1992 loans for a given program will be accounted for in a single direct loan cohort or a single loan guarantee cohort.

33.12 Sale of delinquent loan assets.

(a) General.—Beginning in FY 1999, credit agencies with over \$100 million in loan assets are expected to sell loan assets that meet the criteria described

in (b). This applies to loan assets held by both liquidating and financing accounts. The cash flows used to calculate the baseline subsidy rates for existing cohorts should be adjusted to reflect this policy, as should the cash flows used to estimate the subsidy rates for future cohorts. Modifications of this policy that increase the cost will have to be covered by appropriations of subsidy budget authority. Differences between the estimated and actual sale proceeds due to market conditions will be treated as reestimates.

(b) Loan asset sale criteria.—Loan assets that are more than one year delinquent should be sold, except for the following categories of loans:

- loans to foreign countries or entities;
- loans in structured forbearance, when conversion to repayment status is expected within 12 months or after statutory requirements are met;
- loans that are written off as unenforceable due to death, disability, or bankruptcy;
- loans that have been submitted to Treasury for offset and are expected to be extinguished within three years; and
- loans in adjudication or foreclosure.

Agencies should consult the OMB representative with primary responsibility for the account to determine which loan assets meet these criteria.

(c) Justification for non-compliance.—If an agency can demonstrate that the present value of cash flows associated with continued Government ownership of the loan assets would exceed the expected sale proceeds, the agency may not be required to sell the loan assets. Also, if there is a serious conflict between selling delinquent loan assets and Administration policy for the program, and the agency can justify to the satisfaction of their OMB representative that the sale policy cannot be reconciled with the program policy, the agency may not be required to sell the loan assets. Agencies should consult with the OMB representative with primary responsibility for the program if they believe either of these tests would be met.

(d) Cost of loan asset sales.—If the cash flows for existing loans do not incorporate an explicit assumption about the sale of delinquent loans, the sale would be a modification, whether the loans are held by financing accounts or liquidating accounts (see section 33.4 (n) and 33.11). Otherwise, the sale is part of the subsidy estimates for Presidential policy and the baseline, and differences between the estimated and actual sale proceeds would be a reestimate (see section 33.4(t)).

If the sale is a modification, the cost would equal the difference between the net sale proceeds (see section 33.4(r)) and the estimated value to the Government, on a present value basis, of continuing to own the loan asset (the “hold value”).

The modification cost of multiple sales with closing dates in the same fiscal year is the sum of the cost or saving calculated for each sale of loans within the same cohort or risk category. The closing date of a sale is the date on which the seller and the buyer(s) close the transaction and title of the assets legally transfer to the buyer(s). Therefore, for loans within the same cohort or risk category, a modification cost for one sale can be offset by a modification saving for a different sale within the same fiscal year. For sales that include loans from more than one cohort or risk category, a single modification cost or savings is first calculated for all of the loans sold, and the cost or savings is subdivided among each of the cohorts or risk categories.

Loans that are sold with recourse are treated as a combination of a sale without recourse and a new loan guarantee. The cost of the provision for recourse is estimated separately from the cost of the loan asset sale, and the subsidy for its cost, as well as the cost of the implicit loan sale without recourse, must be appropriated in advance of the sale. Sales with recourse are not permitted except where they are specifically authorized by statute.

If the Government takes an equity stake (or participation) in the cash flow of the sold assets, such as a joint venture or equity-held sale, the net sale proceeds equal the actual cash proceeds plus an estimate of the present value of the proceeds from the Government’s equity position, net of any transaction costs.

(e) OMB review of sales.—No sale may occur without the approval of the OMB examiner. After identifying loans that meet the criteria described in (b), agencies must develop a plan for selling these loans in consultation with their OMB examiner. In addition, at least 30 calendar days prior to the scheduled final bid day (the date on which a buyer may submit a bid to the seller), the agency must submit for approval to the OMB representative with primary responsibility for the program the following information:

- (1) the expected date of sale;
- (2) a description of the loans to be sold (including balances, business program under which the

- loans were originated, and current payment status);
- (3) the estimated hold value, with relevant supporting documents and analysis;
 - (4) the estimated net sale proceeds, with relevant supporting documents and analysis;
 - (5) the estimated modification cost, whether positive, negative, or zero; and

- (6) an evaluation of relevant previous asset sales, including the hold values, net sale proceeds, and positive/negative subsidy generated from each, if applicable.

Three weeks after the sale, an agency must advise the OMB examiner of the actual amount of the proceeds realized from the sale and the actual amount of the transaction costs that were paid from the proceeds.

Program and Financing Schedule Program Account (MAX Schedule P)

Complete sets of these numbered proofs must be returned to OMB, whether they print or not.

PY—past year
CY—current year
BY—budget year

Program and Financing (in millions of dollars)

Identification code: 83-0100-0-1-155

PY act.

CY est.

BY est.

Obligations by program activity:

00.01	Direct loan subsidy	39	32	29
00.02	Guaranteed loan subsidy	107	110	115
00.03	Subsidy for modifications of direct loan terms			
00.04	Subsidy for modifications of guaranteed loan terms			
00.05	Reestimates of direct loan subsidy	<i>These designated lines should be used where appropriate.</i>		
00.06	Interest on reestimates of direct loan subsidy			
00.07	Reestimates of guaranteed loan subsidy			
00.08	Interest on reestimates of guaranteed loan subsidy.			
00.09	Administrative expenses	19	18	17

10.00	Total new obligations	165	160	161
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Budgetary resources available for obligation:

22.00	New budget authority (gross)	165	160	161
23.95	Total new obligations	-165	-160	-161

New budget authority (gross), detail:

Current:

40.00	Appropriation	165	160	161
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Permanent:

60.05	Appropriation (indefinite)	<i>To be used to finance reestimates of loan subsidies</i>		
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Change in unpaid obligations:

Unpaid obligations, start of year:

72.40	Obligated balance		74	98
73.10	Total new obligations	165	160	161
73.20	Total outlays (gross)	-91	-136	-150

Unpaid obligations, end of year:

74.40	Obligated balance	74	98	109
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Outlay (gross), detail:

86.90	Outlays from new current authority	91	136	150
87.00	Total outlays (gross)	91	136	150

Net budget authority and outlays:

89.00	Budget authority	165	160	161
90.00	Outlays	91	136	150

Shaded entries are automatically calculated by MAX.

Summary of Loan Levels and Subsidy Data (MAX Schedule U)

Complete sets of these numbered proofs must be returned to OMB, whether they print or not.

PY—past year
CY—current year
BY—budget year

Summary of Loan Levels, Subsidy Budget Authority, and Outlays by Program (in millions of dollars)

Identification code 83-0100-0-1-155	PY est.	CY est.	BY est.
Direct loan levels supportable by subsidy budget authority:			
1150 Economic opportunity loans	301	250	225
1150 Handicapped loans	199	150	150
1150 Minority enterprise loans	215	200	195
1159 Total direct loan levels	715	600	570
Direct loan subsidy rates (in percent):			
1320 Economic opportunity loans	8.00	8.00	8.00
1320 Handicapped loans	3.01	2.66	2.66
1320 Minority enterprise loans	4.20	4.00	3.59
1329 Weighted average subsidy rate	5.45	5.39	5.19
Direct loan subsidy budget authority:			
1330 Economic opportunity loans	24	20	18
1330 Handicapped loans	6	4	4
1330 Minority enterprise loans	9	8	7
1339 Total, subsidy budget authority	39	32	29
Direct loan subsidy outlays:			
1340 Economic opportunity loans	12	10	9
1340 Handicapped loans	3	4	4
1340 Minority enterprise loans	4	7	8
1349 Total, subsidy outlays	19	21	21
Guaranteed loan levels supportable by subsidy budget authority:			
2150 General business loans	1,120	1,200	1,215
2150 Minority enterprise loans	8,790	9,000	9,250
2159 Total guaranteed loan levels	10,000	10,200	10,465
Guaranteed loan subsidy rates (in percent):			
2320 General business loans	2.41	2.42	2.47
2320 Minority enterprise loans	0.91	0.90	0.92
2329 Weighted average subsidy rate	1.07	1.08	1.10
Guaranteed loan subsidy budget authority:			
2330 General business loans	27	29	30
2330 Minority enterprise loans	80	81	85
2339 Total subsidy budget authority	107	110	115
Guaranteed loan subsidy outlays:			
2340 General business loans	13	25	29
2340 Minority enterprise loans	40	72	83
2349 Total subsidy outlays	53	97	112
Administrative expense data:			
3510 Budget authority	19	18	17
3590 Outlays from new authority	19	18	17

Agencies should tailor their submissions to provide data at the program level of detail, as illustrated in this exhibit.

Shaded entries are automatically calculated by MAX.

Subsidy rate should be shown, even if zero or negative.

For non-zero transmittal codes, amounts should represent the change to the subsidy rates reported under transmittal code zero, not the new rates.

Program and Financing Schedule Direct Loan Financing Account (MAX Schedule P)

Program and Financing (in millions of dollars)				
Identification code: 83-4200-0-3-155		PY est.	CY est.	BY est.
Obligations by program activity:				
Operating expenses:				
00.01	Direct loans	715	600	570
00.02	Interest paid to Treasury		46	88
10.00	Total new obligations	715	646	658
Budgetary resources available for obligation:				
22.00	New financing authority (gross)	715	646	658
23.95	Total new obligations	-715	-646	-658
New financing authority (gross), detail:				
Permanent:				
67.10	Authority to borrow	675	634	639
Spending authority from offsetting collections:				
68.00	Offsetting collections (cash)	23	28	30
68.10	From Federal sources: Change in receivables and unpaid, unfilled orders	20	-9	-3
68.47	Portion applied to debt reduction.....	-3	-7	-8
68.90	Spending authority from offsetting collections (total)	40	12	19
70.00	Total new financing authority (gross).....	715	646	658
Change in unpaid obligations:				
Unpaid obligations, start of year:				
72.40	Obligated balance		357	380
72.95	Receivables from program account		20	11
72.99	Total unpaid obligations, start of year.....		377	391
73.10	Total new obligations	715	646	658
73.20	Total financing disbursements (gross)	-338	-632	-685
Unpaid obligations, end of year:				
74.40	Obligated balance	357	380	356
74.95	Receivables from program account	20	11	8
74.99	Total unpaid obligations, end of year.....	377	391	364
87.00	Total financing disbursements (gross)	338	632	685
Offsets:				
Against gross financing authority and financing disbursements:				
Offsetting collections (cash) from:				
88.00	Federal sources: payments from program account	19	21	21
Non-Federal sources:				
88.40	Repayments of principal	3	6	7
88.40	Interest received on loans	1	1	2
88.90	Total, offsetting collections (cash)	23	28	30
Against gross financing authority only:				
88.95	From Federal sources: Change in receivables and unpaid, unfilled orders	20	-9	-3
Net financing authority and financing disbursements:				
89.00	Financing authority	672	627	631
90.00	Financing disbursements.....	315	604	655

PY—Past Year
CY—Current Year
BY—Budget Year

**Complete sets of these
numbered proofs must be
returned to OMB, whether
they print or not.**

Shaded entries are
automatically
calculated by MAX.

Spending authority from
offsetting collections
consists of cash
collections plus the
change in receivables
from program accounts.

Separately identify the
portion of the obligated
balances that represents
undisbursed direct loan
obligations and the portion
that represents subsidy
receivables from the
program account.

Cash collections and the change
in receivables from program
accounts will be identified
separately.

Status of Direct Loans•

Direct Loan Financing Account (MAX Schedule G)•

Complete sets of these numbered proofs must be returned to OMB, whether they print or not.

PY—Past Year
CY—Current Year
BY—Budget Year

Status of Direct Loans (in millions of dollars)

Identification code: 83-4200-0-3-155		PY act.	CY est.	BY est.
Position with respect to appropriations act limitation on obligation:				
1111	Limitation on direct loans	715	600	570
1150	Total direct loan obligations	715	600	570
Cumulative balance of direct loans outstanding:				
1210	Outstanding, start of year		325	905
Disbursements:				
1231	Direct loan disbursements	338	586	597
Repayments:				
1251	Repayments and prepayments	-3	-6	-7
Write-offs for default:				
1263	Direct loans	-10		
1290	Outstanding, end of year	325	905	1,495

Shaded entries are automatically calculated by MAX.

In the financing account status of direct loans:

- direct loan obligations and disbursements will be shown only for post-1991 direct loans.
- outstandings, repayments, prepayments, and write-offs for default will reflect only post-1991 direct loans (and pre-1992 direct loans that have been modified).

Balance Sheet

Direct Loan Financing Account (MAX Schedule F)

Complete sets of these numbered proofs must be returned to OMB, whether they print or not.

PY-1—Year immediately preceding the past year
PY—Past Year
CY—Current Year
BY—Budget Year

Balance Sheet (in millions of dollars)

Identification code: 83-4200-0-3-155		PY-1 act.	PY est.	CY est	BY est
ASSETS					
1106	Federal assets: Receivables, net	10	20	11	8
Non-federal assets:					
1401	Direct loans receivable, gross.....	200	335	915	1,505
1402	Interest receivable.....	1	1	2	2
1403	Accounts receivable from foreclosed property	1	1	2	3
1404	Foreclosed property	2	3	6	9
1405	Allowance for subsidy cost.....	-15	-20	-52	-84
1499	Net present value of assets related to direct loans	189	320	873	1,435
1999	Total assets	199	340	884	1,443
LIABILITIES					
2103	Federal liabilities: Debt	189	320	873	1,435
2999	Total liabilities	189	320	873	1,435
NET POSITION					
3100	Appropriated capital	10	20	11	8
3300	Cumulative results of operations				
3999	Total net position	10	20	11	8
4999	Total liabilities and net position.....	199	340	884	1,443

Equal to obligated but undisbursed subsidy from program account.

Shaded entries are automatically calculated by MAX.

Equal to obligated but undisbursed subsidy from program account.

Subsidy reestimates have been done in this account. Zero amounts on line 3300 indicate the fund is not showing a profit or a loss.

ASSUMPTIONS

Spendout rate:
50% 1st year
40% 2nd year
10% 3rd year

Program and Financing Schedule Guaranteed Loan Financing Account (MAX Schedule P)

Complete sets of these numbered proofs must be returned to OMB, whether they print or not.

PY—Past Year
CY—Current Year
BY—Budget Year

Program and Financing (in millions of dollars)

Identification code: 83-4100-0-3-155		PY act.	CY est.	BY est.
Obligations by program activity:				
Operating expenses:				
00.01	Default claims		9	10
10.00	Total new obligations		9	10
Budgetary resources available for obligation:				
21.40	Unobligated balance available, start of year ...		63	170
22.00	New financing authority (gross)	63	116	139
23.90	Total budgetary resources available for obligation	63	179	309
23.95	Total new obligations		-9	-10
24.00	Unobligated balance, end of year	63	170	299
New financing authority (gross), detail:				
Permanent:				
68.00	Offsetting collections, cash	63	116	139
Change in unpaid obligations:				
73.10	Total new obligations		9	10
73.20	Total financing disbursements (gross)		-9	-10
87.00	Total financing disbursements (gross)		9	10
Offsets:				
Against gross financing authority and financing disbursement:				
Offsetting collections (cash) from:				
88.00	Federal sources	53	97	112
88.25	Interest on uninvested funds		9	17
88.40	Non-Federal sources	10	10	10
88.90	Total, offsetting collections (cash)	63	116	139
Net financing authority and financing disbursements:				
89.00	Financing authority			
90.00	Financing disbursements	-63	-107	-129

Shaded entries are automatically calculated by MAX.

Status of Guaranteed Loans

Guaranteed Loan Financing Account (MAX Schedule H)

Complete sets of these numbered proofs must be returned to OMB, whether they print or not.

PY—Past Year
CY—Current Year
BY—Budget Year

Status of Guaranteed Loans (in millions of dollars)

Identification code: 83-4100-0-3-155		PY act.	CY est.	BY est.
Position with respect to appropriations act limitations on commitments:				
2111	Limitations on guaranteed loans made by private lenders.....	10,000	10,200	10,465
2150	Total guaranteed loan commitments.....	10,000	10,200	10,465
Memorandum:				
2199	Guaranteed amount of guaranteed loan commitments.....	7,500	7,650	7,849
Cumulative balance of guaranteed loans outstanding:				
2210	Outstanding, start of year		5,000	13,895
Disbursements:				
2231	Disbursements of new guaranteed loans....	5,000	9,100	10,312
2251	Repayments and prepayments		-200	-375
Adjustments:				
2261	Terminations for default that result in a loan receivable.....		-5	-13
2290	Outstanding, end of year	5,000	13,895	23,820
Memorandum				
2299	Guaranteed amount of guaranteed loans outstanding, end of year	3,750	10,421	17,865
Addendum				
Cumulative balance of defaulted guaranteed loans that result in loans receivable:				
2310	Outstanding, start of year			5
2331	Disbursements for guaranteed loan claims		5	13
2351	Repayments of loans receivable			-3
2361	Write-offs of loans receivable			-2
2390	Outstanding, end of year		5	13

Shaded entries are automatically calculated by MAX.

In the financing account status of guaranteed loans:

- disbursements of guaranteed loan claims will be shown only for post-1991 loan guarantees.
- outstandings, repayments, prepayments, and write-offs will reflect only post-1991 loan guarantees (and pre-1992 guaranteed loans that have been modified).

Balance Sheet

Guaranteed Loan Financing Account (MAX Schedule F)

Complete sets of these numbered proofs must be returned to OMB, whether they print or not.

PY-1—Year immediately preceding the past year
PY—Past Year
CY—Current Year
BY—Budget Year

Balance Sheet (in millions of dollars)

Identification code: 83-4100-0-3-155		PY-1 act.	PY est.	CY est.	BY est.
ASSETS					
Federal assets:					
1101	Fund balances with Treasury		63	170	299
Non-federal assets:					
1501	Defaulted guaranteed loans receivable, gross			5	18
1502	Interest receivable			1	1
1504	Foreclosed property			1	2
1505	Allowance for subsidy cost			-1	-3
1599	Net present value of assets related to defaulted guaranteed loans			6	18
1999	Total assets		63	176	317
LIABILITIES					
2204	Non-federal liabilities: Liabilities for loan guarantees		63	167	300
2999	Total liabilities		63	167	300
NET POSITION					
3300	Cumulative results of operations			9	17
3999	Total net position		0	9	17
4999	Total liabilities and net position		63	176	317

Equals unobligated balances in guaranteed loan financing account.

Shaded entries are automatically calculated by MAX.

Equals net present value of cash flows for loan guarantees.

ASSUMPTIONS

Spendout rate:
50% 1st year
40% 2nd year
10% 3rd year

Positive amounts on line 3300 indicate the fund is making a profit. A downward subsidy reestimate is needed to bring line 3300 down to zero.

Program and Financing Schedule

Liquidating Account (MAX Schedule P)

PY—past year
CY—current year
BY—budget year

Complete sets of these numbered proofs must be returned to OMB, whether they print or not.

There should be no unobligated balance at the end of the fiscal year.

Shaded entries are automatically generated by MAX.

Unobligated budgetary resources at the end of the fiscal year are unavailable for obligation or outlay in subsequent fiscal years and must be transferred to the general fund at the end of the fiscal year unless an extension has been approved by OMB.

Program and Financing (in millions of dollars)				
Identification code 16-1186-0-3-755		PY actual	CY est.	BY est.
Obligations by program activity:				
Direct program:				
00.01	Default claims	629	536	789
00.02	Advances on behalf of borrowers	27	103	98
00.03	Interest on Treasury borrowings	285	279	330
10.00	Total new obligations.....	941	918	1,217
Budgetary resources available for obligation:				
22.00	New budget authority (gross)	941	918	1,217
23.95	Total new obligations	-941	-918	-1,217
New budget authority (gross), detail:				
Permanent:				
60.05	Appropriation (indefinite).....			367
Spending authority from offsetting collections:				
68.00	Offsetting collections (cash)	2,299	2,234	1,808
68.27	Capital transfer to general fund	-159	-239	
68.47	Portion applied to repay debt	-1,199	-1,077	-958
68.90	Total spending authority from offsetting collections.....	941	918	850
70.00	Total new budget authority (gross).....	941	918	1,217
Change in unpaid obligations:				
72.40	Unpaid obligations, start of year	1,704	1,294	694
73.10	Total new obligations	941	918	1,217
73.20	Total outlays (gross)	-1,351	-1,518	-1,517
74.40	Unpaid obligations, end of year	1,294	694	394
Outlays (gross), detail:				
86.97	Outlays from new permanent authority	741	718	1,017
86.98	Outlays from permanent balances	610	800	500
87.00	Total outlays (gross)	1,351	1,518	1,517
Offsets:				
Against gross budget authority and outlays:				
Offsetting collections (cash) from:				
Non-federal sources:				
88.40	Repayments of principal	1,477	1,857	1,300
88.40	Interest received on loans	786	349	486
88.40	Fees	36	28	22
88.90	Total offsetting collections (cash)	2,299	2,234	1,808
Net budget authority and outlays:				
89.00	Budget authority	-1,358	-1,316	-591
90.00	Outlays	-948	-716	-291

Status of Direct Loans

Liquidating Account (MAX Schedule G)

Complete sets of these numbered proofs must be returned to OMB, whether they print or not.

PY—Past Year
CY—Current Year
BY—Budget Year

Status of Direct Loans (in millions of dollars)

Identification code: 83-4200-0-3-155		PY act.	CY est.	BY est.
Cumulative balance of direct loans outstanding:				
1210	Outstanding, start of year	112	104	98
Disbursements:				
1231	Direct loan disbursements	5	.....	.....
Repayments:				
1251	Repayments and prepayments	-3	-6	-7
Write-offs for default:				
1263	Direct loans	-10	.....	.....
1290	Outstanding, end of year	104	98	91

Shaded entries are automatically calculated by MAX.

In the liquidating account status of direct loans:

- there will be no direct loan obligations
- outstandings, repayments, prepayments, and write-offs for default will be shown only for pre-1992 direct loans.

Status of Guaranteed Loans

Guaranteed Loan Liquidating Account (MAX Schedule H)

Complete sets of these numbered proofs must be returned to OMB, whether they print or not.

PY—Past Year
CY—Current Year
BY—Budget Year

Status of Guaranteed Loans (in millions of dollars)

Identification code: 83-4100-0-3-155		PY act.	CY est.	BY est.
Cumulative balance of guaranteed loans outstanding:				
2210	Outstanding, start of year	4,413	4,254	3,949
Disbursements:				
2231	Disbursements of new guaranteed loans	122	.....	.....
2251	Repayments and prepayments.....	-281	-300	-375
Adjustments:				
2261	Terminations for default that result in a loan receivable.....	.....	-5	-13
2290	Outstanding, end of year	4,254	3,949	3,561
Memorandum				
2299	Guaranteed amount of guaranteed loans outstanding, end of year	3,400	3,150	2,840
Addendum				
Cumulative balance of defaulted guaranteed loans that result in loans receivable:				
2310	Outstanding, start of year .....	.....	.....	5
2331	Disbursements for guaranteed loan claims ..	.....	5	13
2351	Repayments of loans receivable .....	.....	.....	-3
2361	Write-offs of loans receivable .....	.....	.....	-2
2390	Outstanding, end of year .....	.....	5	13

Shaded entries are automatically calculated by MAX.

In the liquidating account status of guaranteed loans:

- disbursements for guaranteed loan claims will be shown only for pre-1992 loan guarantees.
- outstandings, repayments and prepayments will reflect only pre-1992 loan guarantees.